

DIRECT TESTIMONY  
OF  
QIN LIU  
TELECOMMUNICATIONS DIVISION  
ILLINOIS COMMERCE COMMISSION

IQ TELECOM, INC.  
APPLICATION FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS  
CARRIER FOR PURPOSES OF RECEIVING FEDERAL UNIVERSAL SERVICE  
FUNDS PURSUANT TO SECTION 214(E)(2) OF THE TELECOMMUNICATIONS ACT  
OF 1996

ICC DOCKET NO. 10-0379

March 23, 2011

1   **Q.     Please state your name and business address.**

2   A.     My name is Qin Liu, and I am employed by the Illinois Commerce Commission  
3           (“Commission”). My business address is 160 North LaSalle, Suite C-800,  
4           Chicago, Illinois, 60601.

5   **Q.     Please describe your education background.**

6   A.     I earned a BA in Mathematics in the People’s Republic of China, and a PhD  
7           degree in economics from Northwestern University (Evanston).

8   **Q.     Have you previously filed testimony in prior Commission proceedings?**

9   A.     Yes. I have filed testimony in various Commission proceedings. Examples  
10          include 02-0864, 04-0469, 08-0569, 09-0268 and 09-0586.

11   **Q.     What is the purpose of your testimony?**

12   A.     IQ Telecom, Inc (“IQT”) filed a petition with the Commission on June 10, 2010  
13          seeking a wireless eligible telecommunications carrier (“ETC”) designation. The  
14          purpose of my testimony is to evaluate IQT’s application, determine whether it  
15          satisfies eligibility requirements for ETC designation and present a  
16          recommendation to the Commission.

17   **Q.     Please summarize your findings and present your recommendation.**

18   A.     Staff’s analysis and findings can be summarized as follows:

- 19           (1)     IQT has long violated Section 13-501 of the IPUA in that it has been  
20                     offering services without filing a tariff with the Commission.
- 21           (2)     IQT has offered services to its Lifeline customers in a discriminatory  
22                     manner. The variation in services offered from forms to forms is not  
23                     justifiable.
- 24           (3)     IQT's Letter of Agency fails to meet the requirements of Section 13-902  
25                     of the IPUA.
- 26           (4)     IQT has failed to make reasonable efforts to inform its customers of the  
27                     one-time restriction of federal Linkup support;
- 28           (5)     IQT has not produced or used proper forms to certify customers' Lifeline  
29                     or Linkup eligibility.
- 30           (6)     IQT has never offered the local plan as presented in its ETC Application  
31                     in Docket No. 08-0453 to its Lifeline customers.
- 32           (7)     IQT has collected federal Lifeline/Linkup support as a reseller though it  
33                     has never sought ETC designation as a reseller.
- 34           (8)     IQT has collected federal Linkup subsidy where it is not eligible to (e.g.,  
35                     for conversion).
- 36           (9)     IQT has requested more federal Linkup subsidy than what it is entitled to.

- 37 (10) IQT has failed to pass through the full amount of Lifeline support.
- 38 (11) IQT has not managed both Lifeline and Linkup Programs properly. While
- 39 successful to get customers connected, IQT has failed to retain them by
- 40 offering affordable, competitive service beyond the introductory two
- 41 months. The combination of its success with the Linkup Program and
- 42 failure with the Lifeline Program has harmed the customers by depriving
- 43 them of an affordable, or the affordable, means to get connected to the
- 44 PSTN, and has harmed the Universal Service Fund by wastefully spending
- 45 more than 1.2 million of federal Linkup support funds.

46 For reasons stated above, Staff cannot reach the finding that it is in the public

47 interest to grant IQT's petition seeking a wireless eligible telecommunications

48 carrier ("ETC") designation. Therefore, Staff cannot recommend that the

49 Commission grant IQT wireless ETC designation sought in the proceeding.

50 **STANDARDS AND REQUIREMENTS FOR ETC DESIGNATION**

51 **Q. Please describe the eligibility requirements set forth in the 1996**

52 **Telecommunications Act for Eligible Telecommunications Carriers ("ETC").**

53 A. The 1996 Telecommunications Act ("1996 Act") requires:

54 A common carrier designated as an ETC must offer the services

55 supported by the federal universal service mechanism<sup>1</sup> throughout

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<sup>1</sup> Services supported by federal universal service mechanisms include the following: (1) *Voice grade access to the public switched network*; (2) *Local usage*. "Local usage" means an amount of minutes of use of exchange service, prescribed by the Commission, provided free of charge to end users; (3) *Dual tone multi-frequency signaling or its functional equivalent*; (4) *Single-party service or its functional equivalent*; (5) *Access to emergency services*; (6) *Access to operator services*; (7) *Access to interexchange service*; (8)

the designated service area. The ETC must offer such services using either its own facilities or a combination of its own facilities and resale of another carrier's services. The ETC must also advertise the supported services and the associated charges throughout the service area for which designation is received, using media of general distribution. In addition, an ETC must advertise the availability of Lifeline and Link Up services in a manner reasonably designed to reach those likely to qualify for those services.<sup>2</sup>

Section 214(e) of the 1996 Act also requires that either the Federal Communications Commission ("FCC") or a state commission must determine that an ETC designation serves the public interest, convenience and necessity before granting such a designation.<sup>3</sup>

**Q. Has the FCC set forth additional requirements for ETC designation in its ETC Order?**

A. Yes. In the ETC Order, the FCC established additional eligibility requirements as a condition for granting ETC designation:

- (1) Commitment and ability to provide services, including providing service to all customers within its proposed service area;
- (2) Ability to remain functional in emergency situations: (i) having a reasonable amount of back-up power, (ii) ability to reroute traffic around damaged facilities, and (iii) capability of managing traffic spikes resulting from emergency situations;

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*Access to directory assistance; and (9) Toll limitation for qualifying low-income consumers. (See, 47 C. F. R. §54.101)*

<sup>2</sup> Federal Communications Commission, Report and Order ("ETC Order"), CC Docket No. 96-45, FCC 05-46, Released march 17, 2005, at 17. See also 47 C.F.R. §54.201(d).

<sup>3</sup> 47 U.S.C. §214(E)(2). See also ETC Order at 40.

(3) Consumer protection: ability to meet consumer protection and service quality standards,

(4) Local usage: offering local usage comparable to that offered by the incumbent LEC ("ILEC"); and

(5) Equal access: an understanding that it may be required to provide equal access if all other ETCs in the designated service area relinquish their designations pursuant to section 214(e) of the Act.<sup>4</sup>

These additional requirements are mandatory for all ETC carriers designated by the FCC. State commissions, however, are encouraged to apply these additional requirements in evaluating ETC applications.

**Q. Please describe how the FCC performs its public interest analysis.**

A. Before granting an ETC designation, the FCC must find that such designation is consistent with the public interest. The FCC requires that all ETC applicants demonstrate that they have satisfied all eligibility requirements set forth in the ETC Order. For ETC applicants seeking designation below the study area level of a rural incumbent LEC, the FCC conducts a cream-skimming analysis. Moreover, the FCC performs an additional cost-benefit analysis as a part of its public interest analysis:

Consumer Choice: The Commission takes in to account the benefits of increased consumer choice when conducting its public interest analysis. In particular, granting an ETC designation may serve the public interest by providing a choice of service offerings in rural and high cost areas. The Commission has determined that, in light of the numerous factors it considers in its public interest analysis, the value of increased competition, by itself, is unlikely to satisfy the public interest test.

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<sup>4</sup> ETC Order at 20, and 47 C.F.R. §54.202(a).

Advantages and Disadvantages of Particular Service Offerings:

The Commission also considers the particular advantages and disadvantages of an ETC's service offering. For instance, the Commission has examined the benefits of mobility that wireless carriers provide in geographically isolated areas, the possibility that an ETC designation will allow customers to be subject to fewer toll charges, and the potential for customers to obtain service comparable to those provided in urban areas, such as voicemail, numeric paging, call forwarding, three-way calling, call waiting, and other premium services. The Commission also examines disadvantages such as dropped call rates and poor coverage.<sup>5</sup>

The burden rests on the ETC applicant to demonstrate that it satisfies all requirements set forth by the FCC in its ETC Order.

**Q. Does the FCC make a distinction between rural and non-rural areas in evaluating an ETC application?**

A. Yes. The FCC distinguishes rural from non-rural areas for both the cream-skimming and public interest analyses.

The cream-skimming analysis is conducted where an applicant seeks ETC designation for an area below the study area level of a rural incumbent LEC. The FCC's analysis compares the population density of each wire centers in which the applicant seeks ETC designation against that of the wire centers in the study area in which ETC designation is not sought. In contrast, such a cream-skimming analysis is not required for non-rural areas.

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<sup>5</sup> ETC Order at 44.

128 The FCC applies the same standards to its public interest analysis in rural and  
129 non-rural areas. However, it may apply the standards differently for rural ETC  
130 designation:

131 [A]lthough we adopt one set of criteria for evaluating the public  
132 interest analysis, the Commission [FCC] and state commissions  
133 may conduct the analysis differently, or reach a different outcome,  
134 depending on the area served. For example, the Commission and  
135 state commissions may give more weight to certain factors in rural  
136 context than in the non-rural context and the same or similar  
137 factors could result in divergent public interest determinations,  
138 depending on the specific characteristics of the proposed service  
139 area, or whether the area is served by a rural or non-rural carrier.<sup>6</sup>  
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141 **Q. Must the state commissions adopt the eligibility requirements set forth in the**  
142 **FCC ETC Order?**

143 A. No. The eligibility requirements set forth in the ETC Order are mandatory for all  
144 applicants seeking ETC designation before the FCC. They are the requirements  
145 that the FCC applies to its evaluation of ETC applications. State commissions are  
146 not required, though they are encouraged, to apply these requirements and  
147 analyses to all ETC applications.<sup>7</sup>

148 It must be noted that, while different eligibility criteria may be adopted by state  
149 commissions, an affirmative finding that an ETC designation is in the public  
150 interest must be made before granting such designation. This is so regardless of

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<sup>6</sup> ETC Order at 43.

<sup>7</sup> ETC Order at 20.



151 whether the applicant seeks ETC designation before the FCC or a state  
152 Commission, in a rural or non-rural area.

153 **Q. Please describe the eligibility requirements that this Commission should**  
154 **apply to assess an ETC application.**

155 A. The standards that the Commission applies in evaluating an ETC application may  
156 be determined broadly at the discretion of the Commission, consistent with  
157 Section 214(e) of the 1996 Telecommunications Act.

158 The eligibility requirements and analysis set forth by the FCC in its ETC Order  
159 are appropriate and reasonable. Thus, I recommend that the Commission apply  
160 the eligibility requirements and analysis set forth by the FCC in its ETC Order to  
161 assess if an ETC designation is consistent with the public interest in Illinois, as  
162 the Commission has done in the past. The Commission, however, should allow a  
163 departure from the requirements in the ETC Order if an ETC applicant can make a  
164 showing that such a departure is consistent with the public interest.

165 The Commission, on the other hand, may impose additional requirements other  
166 than those in the ETC Order if doing so would serve the public interest in Illinois.  
167 The FCC specifically recognizes that state commissions have the flexibility to  
168 impose their own requirements in the ETC Order. As the FCC notes, state  
169 commissions are most familiar with the local conditions and thus well-equipped

170 to determine their own eligibility requirements.<sup>8</sup> Thus, the Commission has the  
171 discretion to introduce local considerations in determining if granting an ETC  
172 designation is consistent with the public interest.

173 **Q. What additional, local or Illinois eligibility requirements should the**  
174 **Commission apply in assessing an ETC application?**

175 A. Aside from the federal requirements set forth in the ETC Order, Staff has  
176 consistently taken the position that all ETC applicants must satisfy the “local” or  
177 Illinois requirement that they demonstrate their willingness and ability to comply  
178 with all applicable Illinois Administrative Code Parts, notably those relevant  
179 portions of 730, 731, 732, 735 and 757 (or 736 and 757 for wireless carriers). In  
180 addition, Applicants must demonstrate that they have complied with all federal,  
181 state and local laws and regulations, which includes, but not limited to, offering  
182 services pursuant to tariff (where applicable) and properly remitting taxes and  
183 surcharges.

184 Where it has been granted ETC designation under different Certificate(s) of  
185 Service Authority, the ETC Applicant must demonstrate that its existing

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<sup>8</sup> In supporting its decision not to mandate that state commission adopt the federal requirement, the FCC states “Section 214(e)(2) of the Act gives states the primary responsibility to designate ETCs and prescribes that all state designation decisions must be consistent with the public interest, convenience, and necessity. We believe that section 214(e)(2) demonstrates Congress’s intent that state commissions evaluate local factual situations in ETC cases and exercise discretion in reaching their conclusions regarding the public interest, convenience and necessity, as long as such determinations are consistent with federal and other state law. States that exercise jurisdiction over ETCs should apply these requirements in a manner that is consistent with section 214(e)(2) of the Act. Furthermore, state commissions, as the entities most familiar with the service area for which ETC designation is sought, are particularly well-equipped to determine their own ETC eligibility requirements.” ETC Order at 61.

186 Lifeline/Linkup Programs have enhanced the public interest. The Applicant must  
187 demonstrate that it has properly managed the Lifeline and Linkup Programs. To  
188 be specific, it must show that it has managed the Linkup Program to enhance  
189 participation in the Public Switched Telephone Network (“PSTN”) by getting low  
190 income customers connected to the PSTN. Likewise, it must show that it has  
191 managed the Lifeline Program to ensure that Lifeline customers stay connected.  
192 Where the Applicant has failed to do either, it should not be deemed to have  
193 properly managed both of the Lifeline and Linkup Programs or to have enhanced  
194 the public interest. In this case, the carrier should not be granted additional ETC  
195 designation (under different Certificate of Service Authority).

196 In summary, a carrier cannot be deemed to have satisfied all eligibility  
197 requirements for ETC designation if it has failed any (federal or local)  
198 requirements stated above.

199 **OVERVIEW OF IQ TELECOM (“IQT”)**

200 **Q. Please briefly describe IQT’s operations in Illinois.**

201 A. IQT was granted Certificates of Service Authority under Section 13-404 (resale of  
202 local and interexchange service) and Section 405 (facilities-based local exchange  
203 service) of the Illinois Public Utilities Act (“IPUA”) in Docket 01-0333.<sup>9</sup> IQT  
204 was also granted Certificate of Service Authority under Section 13-401 of the

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<sup>9</sup> It also sought and was granted Certificate of Service Authority under Section 13-403 to provide facilities-based interexchange service. But it is unclear if IQT has ever provided interexchange services in Illinois under Section 13-403 (i.e., facilities-based interexchange services).

205 IPUA in Docket No. 10-0367. These Certificates of Service Authority allow the  
206 Company to provide (i) local and interexchange service through resale of another  
207 carrier's service, (ii) local exchange service ("LES") using own facilities and (iii)  
208 wireless services, respectively, in Illinois.

209 **Q. Has IQT previously been granted ETC designation in Illinois?**

210 A. Yes. IQT filed a petition with the Commission in Docket No. 08-0453 seeking  
211 ETC designation under Section 54.201(d) of Code of Federal Regulation ("CFR")  
212 for the limited purposes of receiving federal Lifeline/Linkup supports.<sup>10</sup> In the  
213 ETC application, it contended that it "meets the two criterion set forth in Section  
214 214(e)(1)" of the 1996 Telecommunications Act.<sup>11</sup> One of the two criteria  
215 referred to, Section 214(e)(1)(A), requires that all eligible telecommunications  
216 carriers must:

217 offer the services that are supported by the Federal Universal  
218 Service support mechanism under section 254(c), either using its  
219 own facilities or a combination of its own facilities and resale of  
220 another carrier's services including the service offered by another  
221 eligible telecommunications carrier.

222 IQT characterized itself as a local exchange carrier ("LEC") that "provides  
223 unbundled network local exchange and access service over facilities purchased in

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<sup>10</sup> See, IQ Telecom, Inc.: Application for Designation as an Eligible Telecommunications Carrier for Purposes of Receiving Federal Universal Service Support Pursuant to Section 214(e)(2) of the Telecommunications Act of 1996, ICC Docket No. 08-0453 ("ETC Application" or "Application").

<sup>11</sup> See para.3 of IQT Application, ICC Docket No. 08-0453.

224 a wholesale agreement with AT&T Illinois.”<sup>12</sup> To demonstrate that it satisfies the  
225 facilities requirement of Section 214(e)(1)(A), IQT stated:

226 IQ TELECOM offers all of the supported services enumerated  
227 under Section 254(c) using facilities obtained as UNEs from SBC.  
228 According to FCC rules, facilities obtained as UNEs satisfy the  
229 requirement that an ETC provide the supported services using  
230 either its own facilities or a combination of its own facilities and  
231 resale of another carrier’s services. Accordingly, the Company  
232 satisfies the requirement set forth in Section 214(e)(1)(A).<sup>13</sup>  
233 (Emphasis added)

234 These statements unmistakably show that IQT was seeking ETC designation in  
235 Docket No. 08-0453 as a facilities-based LEC that provides all supported services  
236 using UNEs obtained from SBC, not as a reseller that provides LES solely  
237 through resale of another carrier’s services (i.e., pure reseller) or as a wireless  
238 carrier. The Commission applied the statutory federal guidelines and granted IQT  
239 ETC designation.<sup>14</sup>

240 **Q. Why is IQT seeking ETC designation in this proceeding given that it was**  
241 **granted ETC designation in Docket No. 08-0453?**

242 A. As noted above, IQT holds three Certificates of Service Authority in Illinois  
243 under three different provisions of the IPUA (Sections 13-401, 13-404 and 13-

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<sup>12</sup> See para.4 of IQT Application, ICC Docket No. 08-0453.

<sup>13</sup> See para.9 of IQT Application, ICC Docket No. 08-0453.

<sup>14</sup>ICC, Order, In IQ Telecom, Inc.: Application for Designation as an Eligible Telecommunications Carrier for Purposes of Receiving Federal Universal Service Support Pursuant to Section 214(e)(2) of the Telecommunications Act of 1996, ICC Docket No. 08-0453 (October 8, 2008).

244 405), respectively.,<sup>15</sup> Each Certificate allows the Company to provide services in  
245 Illinois using a specific platform (resale LES, facilities-based LES, or wireless).  
246 In Docket No. 08-0453, IQT sought ETC designation as a carrier that offers all  
247 supported services using UNEs obtained from the ILEC (SBC), i.e., as a facilities-  
248 based LEC. It did not seek ETC designation in Docket No. 08-0453 as a wireless  
249 carrier and thus could not have been granted ETC designation as a wireless carrier  
250 (or wireless ETC). IQT must have recognized, correctly, that it is not qualified  
251 for federal Lifeline/Linkup subsidy as a wireless carrier under the ETC  
252 designation granted as a facilities-based LEC. Therefore, it is seeking ETC  
253 designation as a wireless carrier (or wireless ETC) in this proceeding.

254 **IQT ETC DESIGNATION IN DOCKET No. 08-0453**

255 **Q. Please describe how IQT demonstrated that it satisfied the local plan**  
256 **requirement set forth in the ETC Order in Docket No. 08-0453.**

257 A. One of the additional eligibility requirements set forth in the ETC Order requires  
258 that all eligible telecommunications carriers offer a local plan that is comparable  
259 to that of the ILEC. IQT contended that it satisfied this local plan requirement. In  
260 support of its contention, IQT stated:

261 IQ TELCOM offers local usage plans comparable to the service  
262 plans offered by the incumbent LEC, AT&T Illinois. IQ  
263 TELECOM offers its Basic Plan that includes unlimited local  
264 calling for \$29.99 per month which is comparable to AT&T's  
265 Illinois' Flat Rate Package. IQT TELECOM also offers a full  
266 feature packages, which includes all features which can be added

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<sup>15</sup> It also holds a Certificate of Service Authority under Section 13-403 to provide facilities-based interexchange services.

to unlimited local calling plan a[t] additional \$7.00 per month.”<sup>16</sup>  
(Emphasis Added)

Given that IQT used the Basic Plan in its ETC Application to satisfy the local plan requirement set forth in the ETC Order, presumably the Basic Plan was the most economical or lowest rate residential local plan that IQT offered to its customers. The above language indicates that it was offering the Basic Plan at time it submitted its ETC Application,<sup>17</sup> undoubtedly to non-Lifeline customers, at \$29.99 per month. That is, the rate of \$29.99 per month does not reflect Lifeline discount, or it is the rate before any Lifeline discount is applied. The Commission based its assessment on this Basic Plan and found that IQT satisfied the FCC’s local plan requirement.

**Q. Did IQT make a good faith effort in demonstrating that it satisfied eligibility requirements and in particular the local plan requirement in Docket No. 08-0453?**

A. No. At Staff’s request in this proceeding, IQT provided its Lifeline/Linkup Certification Forms, which contain descriptions of services offered to the Lifeline/Linkup customers.<sup>18</sup> The Basic Plan, however, is not among the services offered to Lifeline/Linkup customers. In fact, the monthly rate for the local plan – Local Package – offered to Lifeline customer (\$56.99 before Lifeline discount) is

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<sup>16</sup> See page 10 of IQT Application, ICC Docket No. 08-0453.

<sup>17</sup> IQT specifically confirmed that it was offering the Basic Plan at the time it submitted its petition for ETC designation. See IQT Response to Staff Data Request QL-1.15.

<sup>18</sup> See IQT Responses to Staff Data Request QL-1.02

287 almost twice as high as the monthly rate for Basic Plan (\$29.99 before Lifeline  
288 discount). So, after having deployed it as a basis for obtaining ETC designation,  
289 IQT never did in fact offer the Basic Plan to the Lifeline/Linkup customers.

290 Staff requested that IQT identify the period during which it offered (or offers) the  
291 Basic Plan. In response, the Company stated that it “discontinued this package  
292 [Basic Plan] on 8/1/2008”<sup>19</sup> This fact is of the utmost significance in evaluating  
293 this Application. IQT discontinued the Basic Plan mere eight days after it  
294 submitted the ETC Application in Docket No. 08-0453. At no time during the  
295 pendency of Docket No. 08-0453, however, did IQT make any attempt to advise  
296 the Staff, Administrative Law Judge, or Commission that it had withdrawn which  
297 it exclusively relied on to demonstrate compliance with the federal local plan  
298 requirement. In fact, from 8/1/2008 when it discontinued the Basic Plan to the  
299 Status Hearing on 9/9/2008 when the record was marked as “heard and taken”,  
300 IQT continued to rely on the discontinued Basic Plan to satisfy the local plan  
301 requirement in Docket No. 08-0453. By relying on a discontinued local plan to  
302 obtain ETC designation, IQT cannot be said to have made a good faith effort to  
303 demonstrate that it satisfied all eligibility requirements and in particular, the local  
304 plan requirement set forth in the ETC Order.

305 **Q. Did IQT ever offer the Basic Plan to its customers?**

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<sup>19</sup> See IQT Response to Staff Data Request QL-1.15.



306 A. It is unclear whether the Company offered the Basic Plan, or residential plans  
307 somewhat comparable to the Basic Plan, to its customers before 8/1/2008. First  
308 of all, IQT never filed a tariff to introduce the Basic Plan. The Company's first  
309 local exchange tariff was filed on 4/4/2003 and became effective on 4/7/2003  
310 ("IQT Tariff No. 1"). This tariff was replaced, in its entirety, by the local  
311 exchange tariff filed on 2/24/2010 and effective on 2/26/2010. Between 4/7/2003  
312 and 8/1/2008, the tariff on file with the Commission was the local exchange tariff  
313 that became effective on 4/7/2003 (IQT Tariff No. 1).

314 IQT Tariff No. 1, however, does not contain the Basic Plan as described in the  
315 ETC Application in Docket No. 08-0453. IQT Tariff No. 1 contains the following  
316 local plans for residential customers:

- 317 ▪ Basic Residential Service (IQT Tariff No. 1, Sheet No. 15): a line charge of  
318 \$12.99, and a usage rate of \$0.01, \$0.02 and \$0.03 per minute for Bands A, B  
319 and C, respectively.
- 320 ▪ Residential Plus Package (IQT Tariff No. 1, Sheet No. 16): a line charge of  
321 \$19.99, unlimited local call, local toll rate of \$0.03 per minute, and Call  
322 Waiting.
- 323 ▪ Saver Pack Residential Plan (IQT Tariff No. 1, Sheet Nos. 16-17): a line  
324 charge of \$29.99, unlimited local calling, 200 local toll minutes and \$0.03 per  
325 toll minute thereafter, and 8 calling features.
- 326 ▪ Residential 3000 Plan (IQT Tariff No. 1, Sheet No. 17): a line charge of  
327 \$29.99, 3,000 minutes of local or local toll calls and \$0.02 per minute local  
328 and toll charge thereafter, and 8 calling features.
- 329 ▪ Super Saver Plan (IQT Tariff No. 1, Sheet Nos. 17-19): a line charge of  
330 \$39.99, unlimited local and local toll calls, and 8 calling features.

331 The Basic Plan presented in IQT's Application in Docket No. 08-0453 includes  
332 unlimited local calls at \$29.99 per month and a set of full calling features may be  
333 added at \$7.00 per month. While the tariff between 4/7/2003 and 8/1/2008 does  
334 not contain the Basic Plan, the Saver Pack Residential Plan in the tariff, which  
335 includes (i) unlimited local calls, (ii) eight calling features and (iii) 200 local toll  
336 minutes at \$29.99 per month, seems to be at least as good as the Basic Plan, at  
337 least for customers who have no desire for more than eight calling features.  
338 Moreover, the Residential Plus Package in the tariff, which includes (i) unlimited  
339 local and (ii) Call Waiting at \$19.99 per month plus \$0.03 per local toll minute,  
340 seems to be a more economical local plan than the Basic Plan.<sup>20</sup> Furthermore, the  
341 Basic Residential Service in the tariff is offered at \$12.99 per month plus \$0.01,  
342 \$0.02 and \$0.03 per minute for Bands A, B and C calls, respectively. For low  
343 usage customer, the Basic Residential Service in the tariff is even more  
344 economical and more suitable than other residential plans in the tariff as well as  
345 the Basic Plan.

346 However, as discussed below, IQT has not been offering services since certified  
347 to provide local exchange service on 12/5/2001 pursuant to the tariffs on with the  
348 Commission. While some of the tariffed residential plans (i.e., residential plans in  
349 the tariff) between 4/7/2003 and 8/1/2008 may be better than the untariffed Basic

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<sup>20</sup> It is not known what local toll rate was associated with the Basic Plan. If the local toll rate with the Basic Plan is \$0.03 per minute or more, then the Residential Plus Package is more economical than the Basic Plan for all local toll usage level. Otherwise, it may be only be more economical than the Basic Plan up to certain local toll usage level.

350 Plan for customers, it is not entirely clear whether IQT has ever offered any of the  
351 tariffed residential services, and in particular Saver Pack Residential Plan,  
352 Residential Plus Package or Basic Residential Service, to its residential  
353 customers. There is no evidence, and neither does the Company claim, that it was  
354 offering any of the tariffed residential plans, and in particular Saver Pack  
355 Residential Plan, Residential Plus Package or Basic Residential Service, at the  
356 time when it submitted its ETC Application in Docket No. 08-0453. Yet there are  
357 evidence that it never offered any of these tariffed residential plans to its Lifeline  
358 customers between 10/8/2008 when it became an ETC and 2/26/2010 when it  
359 replaced these tariffed residential plans with new tariffed residential plans.

360 The fact that IQT did not use any of the tariffed and more economical residential  
361 plans (e.g., Saver Pack Residential Plan, Residential Plus Package or Basic  
362 Residential Service) to satisfy the local plan requirement set forth in the ETC  
363 Order in Docket No. 08-0453 suggests that IQT was not offering any of the  
364 tariffed and more economical residential plans at the time it submitted its ETC  
365 Application in Docket No. 08-0453. Presumably, the untariffed residential plan,  
366 the Basic Plan, is the most economical residential plan that it was offering to its  
367 customers at the time of submitting the ETC Application in Docket No. 08-0453,  
368 though it discontinued it eight days later.

369 If it did offer the Basic Plan before 8/1/2008, the Company would have violated  
370 Section 13-501 of the IPUA. Section 13-501 stated:

No telecommunications carrier shall offer or provide telecommunications service unless and until a tariff is filed with the Commission which describes the nature of the service, applicable rates and other charges, terms and conditions of service, exchange or other geographic area or areas in which the service shall be offered or provided.<sup>21</sup>

Clearly, IQT may not offer a service before or without filing a tariff with the Commission, even where the new service may be comparable to, or better than, those that have been tariffed. Thus, if it did offer the Basic Plan before 8/1/2008, IQT would have done so in violation of the IPUA.

If it never did offer the Basic Plan before 8/1/2008, IQT would have used a fictional local plan – the Basic Plan – to satisfy the local plan requirement in Docket No. 08-0453 from the very beginning (i.e., from the day it submitted the ETC Application. It is extremely difficult to credit the assertion that IQT did not know what services it was offering or whether it was offering the Basic Plan at the time of filing the ETC Application. In this case, the Commission might easily conclude that IQT had been less than forthright in its ETC Application in Docket No. 08-0453.

**TARIFF FILING REQUIREMENT OF PART 757**

**Q. Did IQT comply with tariff filing requirements of Part 757?**

A. No. Part 757 requires that all eligible telecommunications carriers file with the Commission a tariff pursuant to Section 13-501 of the IPUA for the provisions of

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<sup>21</sup> 220 ILCS 5/13-501(a).

393 Lifeline and Linkup services upon receiving ETC designation.<sup>22</sup> IQT, however,  
394 made no such a filing upon receiving ETC designation on 10/8/2008. In fact, it  
395 did not make any local exchange tariff filing between 10/8/2008 when it received  
396 ETC designation and 2/24/2010 when it filed a local exchange tariff to replace the  
397 local exchange tariff (filed 4/4/2003 and effective 4/7/2003). Thus, it did not  
398 comply with the tariff filing requirements of Part 757.

399 It bears noting that the Company did file a “Lifeline/Linkup” tariff on 4/4/2003,  
400 more than five years before it filed a petition seeking ETC designation. This  
401 “Lifeline/Linkup” tariff became effective on 4/7/2003, approximately five and  
402 half years before IQT became an ETC. In this “Lifeline/Linkup” tariff, IQT  
403 described the “Lifeline” and “Linkup” Programs as “federally funded program  
404 established to provide assistance to low income household.”<sup>23</sup> By its own tariff,  
405 IQT has been offering the “federally funded” Lifeline and Linkup Programs since  
406 4/7/2003, while it did not become an ETC until 10/8/2008.

407 Between 4/7/2003 and 10/8/2008, there was certainly nothing to prevent IQT  
408 from offering low income customers – customers that participate in one or more  
409 qualifying federal programs – discounted services that mirror the discounts which  
410 it would have offered if it were an ETC. If it elected to do so, IQT would have to  
411 absorb the entire costs of such discounts (i.e., without federal subsidy) given that

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<sup>22</sup> See Sections 757.120 and 757.420 of Part 757.

<sup>23</sup> IQT Tariff No. 1, Sheet Nos. 64-65.

412 IQT was not an ETC during this period. However, it was not eligible to offer a  
413 “federally funded” program or services. By filing a tariff for services – federally  
414 funded Lifeline/Linkup services – that it was not eligible or able to offer, IQT  
415 provided customers as well as the Commission with inaccurate information.

416 A carrier is not only required to file a tariff with the Commission but it is required  
417 to file a tariff that accurately reflects the services it offers. IQT has failed this  
418 tariff filing requirement by filing tariff for a service that it did not offer or was not  
419 eligible to offer. Therefore, not only has IQT failed to comply with the tariff  
420 filing requirement of Part 757, it has also failed the tariff filing requirement that it  
421 must file a tariff that accurately reflect the services it offers.

422 **TARIFF FILING REQUIREMENTS OF SECTION 13-501 OF THE IPUA**

423 **Q. Please describe IQT general tariff filings.**

424 A. Based on the Commission records, IQT made the following local exchange tariff  
425 filings since certified to provide local exchange services on 12/5/2001:

426 (1) Ill. C.C. Tariff No. 1 (filed 4/4/2003 and effective 4/7/2003)<sup>24</sup>

427       ▪ Sheets filed: Original Sheet Nos. 1-68

428       ▪ Initial tariff filing

429 (2) Ill C.C. Tariff No. 3 (filed 2/24/2010 and effective 2/26/2010)

430       ▪ Sheets filed: Original Sheet Nos. 1-74 plus cover sheet

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<sup>24</sup> A copy of this tariff was provided by the Company in Staff Data Request QL-5.01.

431                   ▪ Filing to replace, in its entirety, the prior local exchange tariff No. 1  
432                   effective 4/7/2003 on file with the Illinois Commerce Commission

433  
434           (3)     Ill. C.C. Tariff No. 3 (filed 12/17/2010 and effective 12/21/2010)

435                   ▪ Sheets filed: 1st Rev. Sheet Nos. 1-2 & 71-72, and Original Sheet Nos.  
436                   75-76

437  
438                   ▪ Filing to revise Original Sheet Nos. 1-2 & 71-72

439                   ▪ Filing to add Original Sheet Nos. 75-76

440           (4)     Ill. C.C. Tariff No. 3 (filed 1/28/2011 and effective 2/1/2011)

441                   ▪ Sheets filed: 2<sup>nd</sup> Rev. Sheet Nos. 1 & 71, and 1<sup>st</sup> Rev. Sheet No. 75

442  
443                   ▪ Filing to revise 1<sup>st</sup> Rev. Sheet Nos. 1 & 71 and Original Sheet No. 75

444           (5)     Ill. C.C. Tariff No. 3 (filed 2/15/2011 and effective 2/17/2011)

445                   ▪ Sheets filed: 3<sup>rd</sup> Rev. Sheet No. 1, 2<sup>nd</sup> Rev. Sheet No. 75, Original Sheet  
446                   No. 75.1 and 1<sup>st</sup> Rev. Sheet No. 76

447  
448                   ▪ Filing to revise 2<sup>nd</sup> Rev. Sheet No. 1, 1<sup>st</sup> Rev. Sheet No. 75, and Original  
449                   Sheet No. 76

450  
451                   ▪ Filing to add Original Sheet No. 75.1

452           The cover page of Ill. C.C. Tariff No. 3 (effective 2/26/2010) states:

453                   THIS TARIFF REPLACES, IN ITS ENTIRETY, THE PRIOR  
454                   LOCAL EXCHANGE TARIFF NO. 1, EFFECTIVE APRIL 7,  
455                   2003 ON FILE WITH THE ILLINOIS COMMERCE  
456                   COMMISSION.

457           That is, the tariff filing on 2/24/2010 (Ill. C.C. Tariff No. 3, effective 2/26/2010)

458           replaced, in its entirety, the initial tariff filing on 4/4/2003 (Ill. C.C. Tariff No. 1,

459           4/7/2003). IQT then made three amendment filings between 12/17/2010 and

460 2/15/2011 to amend the local exchange tariff Ill. C.C. Tariff No.3, with the  
461 amendments effective on 12/21/2010, 2/1/2011 and 2/17/2011, respectively.

462 **Q. Did IQT produce tariff filing records?**

463 A. Yes, but not the correct ones. In response to Staff's request to provide a copy of  
464 its current Lifeline tariff, IQT provided the following four tariff sheets:<sup>25</sup>

465 Ill. C.C. Tariff No. 1:

- 466 ▪ 1<sup>st</sup> Rev. Sheet Nos.71-72 (effective 12/13/2010)
- 467 ▪ Original Sheet Nos.75-76 (effective 12/21/2010)<sup>26</sup>

468 However, services included on these tariff sheets do not match what IQT offers on  
469 its Lifeline/Linkup Certification Forms.<sup>27</sup> Staff then requested that IQT provide  
470 all records and copies of tariff filings since 10/8/2008 when it became an ETC,  
471 including original and subsequent revised sheets. As a result, IQT provided the  
472 following records and copies of tariff filings.<sup>28</sup>

473 (1) Ill. C.C. Tariff No. 1 (filed 1/22/2010 and effective 1/25/2010)

- 474 ▪ Filing to replace initial tariff effective 4/7/2003 in its entirety

475 (2) Ill. C.C. Tariff No. 1 (filed 12/10/2010 and effective 12/13/2010)

- 476 ▪ Filing to amend Section 8.1

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<sup>25</sup> See Staff Data Request QL-1.14.

<sup>26</sup> See IQT Responses to Staff Data Request QL-1.14.

<sup>27</sup> See Staff Data Request QL-4.04. See also IQT Responses to Staff Data Request QL-1.02.

<sup>28</sup> See IQT Responses to Staff Data Request QL-4.04.



- 477 (3) Ill. C.C. Tariff No. 3 (filed 12/20/2010 and effective 12/21/2010)
- 478       ▪ Filing to replace former local exchange tariff effective 4/7/2003 in its  
479       entirety
- 480 (4) Ill. C.C. Tariff No. 3 (filed 2/1/2011 and effective 2/1/2011)
- 481       ▪ Filing to amend Sections 8.1 and 9.1
- 482 (5) Ill. C.C. Tariff No. 3 (filed 2/16/2011 and effective 2/17/2011)
- 483       ▪ Filing to amend Section 9

484 The cover page of both Ill. C.C. Tariff No. 1 (effective 1/25/2010) and Ill. C.C.  
485 Tariff No. 3 (effective 12/21/2010) states:

486               THIS TARIFF REPLACES, IN ITS ENTIRETY, THE PRIOR  
487               LOCAL EXCHANGE TARIFF EFFECTIVE APRIL 7, 2003 ON  
488               FILE WITH THE ILLINOIS COMMERCE COMMISSION.

489 Apparently, Ill. C.C. Tariff No. 1 (effective 1/25/2010) was filed to replace the  
490 initial local exchange tariff effective 4/7/2003 in its entirety. Ill. C.C. Tariff No. 3  
491 (effective 12/21/2010) was also filed to replace the local exchange tariff effective  
492 4/7/2003 in its entirety. By its own records, IQT made two local exchange tariff  
493 filings, 11 months apart, to replace in its entirety the same local exchange tariff  
494 which became effective 4/7/2010. This suggests that IQT may not have  
495 maintained accurate tariff filing records or copies of its tariffs.

496 **Q. Has IQT properly maintained tariff filing records?**

497 A. No. IQT's tariff filing records provided in response to Staff Data Request do not  
498 accurately reflect its tariff filings with the Commission.<sup>29</sup> In fact, the alleged  
499 tariff filings provided to Staff were not filed or approved by the Commission.

500 First, IQT's claim that it filed "Ill. C.C. Tariff No. 1" (effective 1/25/2010) on  
501 1/22/2010 to replace the initial tariff (effective 4/7/2003) is contradicted by the  
502 Commission records. IQT's alleged 1/22/2010 tariff filing provided to Staff  
503 consists of seventy-five tariff sheets, all of which became effective 1/25/2010:

504 Ill. C.C. Tariff No.1 (effective 1/25/2010)

505       ▪ Original Title Sheet

506       ▪ Original Sheet Nos. 1-74

507 Yet, there is no record of tariff filing from IQT on 1/22/2010 or tariff filing with  
508 effective 1/25/2010 at the Commission. In fact, a review of records maintained  
509 by the Chief Clerk of the Commission indicates that there is no record of any  
510 tariff filing from IQT involving tariff sheets (original or revised) of Ill. C.C. Tariff  
511 No. 1 in 2010. Instead, the Commission records show a local exchange tariff  
512 filing – Ill. C.C. Tariff No. 3 (effective 2/26/2010) – from IQT on 2/24/2010,  
513 which replaced the initial tariff (effective 4/7/2003) in its entirety. Thus, IQT's  
514 alleged 1/22/2010 tariff filing provided to Staff – consisting of 75 original sheets  
515 effective 1/25/2010 – could not have been filed with, much less approved by, the  
516 Commission.

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<sup>29</sup> See IQT Responses to Staff Data Request QL-4.04

Second, IQT's claim that it filed a tariff (effective 12/13/2010) on 12/10/2010 to amend Section 8.1 of Ill. C.C. Tariff No. 1 is likewise contradicted by the Commission records. IQT's alleged 12/10/2010 amendment filing provided to Staff consists of the following four tariff sheets:

Ill. C.C. Tariff No. 1 (amendment effective 12/13/2010)

- 1<sup>st</sup> Rev. Sheet Nos. 71-72
- Original Sheet Nos. 75-76

IQT's claim of this amendment filing is neither accurate nor correct. To begin with, the two original sheets in this alleged amendment filing have an effective date of 12/21/2010, not 12/13/2010 as IQT claimed. A review of records maintained by the Chief Clerk of the Commission indicates that there is no tariff filing from IQT on 12/10/2010 or tariff filing from IQT during the month of December that took effect on 12/13/2010. In fact, there is no record of any tariff filing from IQT involving tariff sheets (original or revised) of Ill. C.C. Tariff No. 1 during any month of 2010. Thus, IQT's alleged 12/10/2010 amendment tariff filing (effective 12/13/2010) provided to Staff could not have been filed with, much less approved by, the Commission.

Third, IQT's claim that it filed "Ill C.C. Tariff No. 3" (effective 12/21/2010) on 12/20/2010 to replace the initial tariff effective 4/7/2003 is also contradicted by

the Commission records.<sup>30</sup> IQT's alleged 12/20/2010 tariff filing provided to Staff consists of seventy-seven sheets, all of which became effective 12/21/2010:

Ill. C.C. Tariff No. 3 (effective 12/21/2010)

- Original Title Sheet,
- 1<sup>st</sup> Rev. Sheet Nos.1-2, and 74 1<sup>st</sup> Rev. Sheet No. 71

IQT's claim that it filed this tariff on the date (12/20/2010) and in the manner it alleges cannot be accurate or correct, apart from the obvious problem of having 74 "1<sup>st</sup> Revised Sheet No. 71" tariff sheets. A review of records maintained by the Chief Clerk of the Commission indicates that there is no tariff filing from IQT on 12/20/2010. However, the records do show an amendment tariff filing from IQT on 12/17/2010. This amendment filing consists of six, not seventy-seven, sheets, all of which became effective on 12/21/2010:

Ill. C.C. Tariff No. 3 (amendment effective 12/21/2010)

- 1<sup>st</sup> Rev. Sheet Nos.1-2 & 71-72 and
- Original Sheet Nos.75-76

The 12/17/2010 filing did not replace the initial local exchange tariff Ill. C.C. Tariff No. 1 (effective 04/07/2003) in its entirety or partially. In fact, it amended Ill. C.C. Tariff No. 3 (originally filed 2/24/2010 and effective 2/26/2010) by revising Original Sheet Nos. 1-2 & 71-72 and adding Original Sheet Nos. 75-76. Therefore, IQT's alleged 12/20/2010 tariff filing provided to Staff – consisting of one title sheet and seventy-six tariff sheets, all of which became effective

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<sup>30</sup> See IQT Response to Staff DR QL-4.04(A).

557 12/21/2010 – was not filed with, much less approved by, the Commission. So,  
558 IQT’s assertions to the contrary are materially incorrect.

559 In summary, IQT provided Staff with five tariff filings allegedly made since  
560 October 2008. None of the filing dates is correct. Among the five tariff filings,  
561 three of them were clearly not filed with, much less approved by, the  
562 Commission. In fact, IQT was only able to provide a correct copy of filing for the  
563 two most recent amendment filings, both of which occurred after Staff issued the  
564 request for the Company to provide all records and copies of tariff filings since  
565 October 2008.<sup>31</sup>

566 **Q. What are the implications of IQT’s inability to maintain accurate tariff filing**  
567 **records?**

568 A. IQT is required to offer services pursuant to its tariff on file with the Commission.  
569 To do so would require IQT to maintain a copy of its tariff that can be made  
570 readily available and should be identical in all aspects to that on file with the  
571 Commission, including but not limited to the effective dates. The Company’s  
572 inability to provide accurate tariff filing records indicates one, some or all of the  
573 following:

574 (1) IQT does not have in its possession a correct copy of its tariff filings,  
575 pursuant to which it is required to offer services.

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<sup>31</sup> Staff issued its Data Request QL-4.04 on 1/21/2011 for IQT to provide copies of all tariffs that IQT filed with the Commission since receiving ETC designation in October 2008.

576 (2) IQT does not have accurate records of its tariff filings (filing dates,  
577 effective dates or tariff sheets).

578 (3) IQT's tariff filing log does not accurately reflect its tariff filings. Rather,  
579 they appear to have been created by IQT based on its best recollection to  
580 satisfy Staff's Data Request.

581 (4) With the exception of the two most recent amendment filings, none of the  
582 tariff filings provided to Staff could have been filed, and much less  
583 approved by, the Commission. Instead they appear to have been created  
584 by the Company to satisfy Staff's Data Requests.

585 IQT's failure to maintain accurate tariff filing records calls into questions of  
586 IQT's managerial ability. It also raises doubts on whether IQT is able to offer, or  
587 has offered, services pursuant to the tariff on file with the Commission, as it is  
588 required to do.

589 **Q. Has IQT offered services pursuant to the tariff on file with the Commission?**

590 A. No. IQT has not offered services pursuant to the tariff on file with the  
591 Commission. The following examples provide an illustration:

592 Example 1: IQT claims to have offered the Basic Plan (unlimited local calling at  
593 \$29.99 per month) before 8/1/2008 but this Plan was not included in the tariff on  
594 file with the Commission before 8/1/2008.

595        Example 2:    IQT offered the following Deluxe Package between 10/14/2008  
596        and 12/31/2010 on its Lifeline/Linkup Certification Forms:<sup>32</sup>

- 597            •    Unlimited local plus 500 toll & long distance minutes
- 598            •    Call Waiting and Caller ID with Name
- 599            •    Monthly rate of \$43.49 (not including taxes and fees)
- 600            •    First Month Free and \$25.00 second month courtesy credit (“FF25SC”)

601        This Deluxe Package was not included in the Company’s 4/4/2003 tariff filing  
602        (effective 4/7/2003), 2/24/2010 tariff filing (effective 2/26/2010) or 12/17/2010  
603        tariff filing (effective 12/21/2010). In short, it was not included in any of the  
604        Company’s tariffs between 10/14/2008 and 12/31/2010.<sup>33</sup>

605        Example 3:    IQT offered another Deluxe Package between 9/1/2010 and  
606        12/31/2010 on the Lifeline/Linkup Certification Forms.<sup>34</sup>

- 607            •    Unlimited local plus 250 toll & long distance minutes
- 608            •    Call Waiting and Caller ID with Name
- 609            •    Monthly rate of \$43.49 (not including taxes and fees)
- 610            •    First Month Free and \$25.00 second month courtesy credit (“FF25SC”)

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<sup>32</sup> See, for example, Lifeline/Linkup Certification Form Nos. 1-3, 7-8, IQT Response to Staff Data Request QL-4.01. According to IQT, these forms were in use between 10/14/2008 and 12/31/2010.

<sup>33</sup> Note that this Deluxe Package is similar to a residential package in the tariff (effective 2/26/2010) but the latter does not have the FF25SC feature.

<sup>34</sup> See, for example, Lifeline/Linkup Certification Form Nos. 9, 13-16, IQT Response to Staff Data Request QL-4.01. According to IQT, these forms were in use between 9/1/2010 and 12/31/2010.

611 Yet, this service package was not included in the Company's tariff on file with the  
612 Commission between 9/1/2010 and 12/21/2010.<sup>35</sup>

613 Example 4: The Company's tariffed connection charge was \$49.99 between  
614 4/7/2003 and 2/26/2010 and \$59.99 between 2/26/2010 and 12/21/2010.  
615 Nonetheless, IQT did not charge the customers either of these amounts for  
616 connection. Instead it charged the customers a lower amount – \$42.00 (before  
617 Linkup discount) – for connection between 10/14/2008 and 12/31/2010.<sup>36</sup>

618 It bears noting that the Company has been collecting federal Linkup subsidy as if  
619 its customary charge is \$60.00 since October 2008.

620 Example 5: IQT charged the customers a "Move Fee Charge" of \$49.99 between  
621 10/14/2008 and 12/31/2010.<sup>37</sup> This charge was not contained in any of IQT's  
622 tariffs during this period. Regarding this charge, the Company provided the  
623 following statements:

624 The "Move Fee" charge of \$49.99 appears in Section 8.1 of the  
625 amended Tariff No. 3 effective February 1, 2011 with regard to a  
626 Non Lifeline/Linkup Qualifying customer. The "Move Fee" fee  
627 charge for a Lifeline/Linkup Customer is \$25.00.<sup>38</sup>

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<sup>35</sup> However, it must be noted that IQT filed an amendment tariff (effective 12/21/2010) for this Deluxe Package on 12/17/2010, more than three months after it had started to offer this service package.

<sup>36</sup> See Lifeline/Linkup Certification Form No. 7, for example, IQT Response to Staff Data Request QL-4.01. According to IQT, this form was in use between 10/14/2008 and 12/31/2010. See also the discussion later in the testimony regarding the Company's customary charge for commencing telephone services.

<sup>37</sup> See, for example, Lifeline/Linkup Certification Form No. 7, IQT Response to Staff Data Request QL-4.01. According to IQT, this form was in use between 10/14/2008 and 12/31/2010.

<sup>38</sup> See IQT Responses to Staff DR QL-4.04(B)(5).



628 IQT can point to nothing but its 1/28/2011 tariff filing for this charge, which  
629 appeared on the Lifeline/Linkup Certification Form in use between 10/14/2008  
630 and 12/31/2010. Thus, IQT is not able to identify this “Move Fee Charge” of  
631 \$49.99 in its tariffs in effect between 10/14/2008 and 12/31/2010.

632 While these are not the only examples, they are sufficient to establish that IQT  
633 has not offered services in a manner consistent with the tariff on file with the  
634 Commission.

635 **IQ TELECOM’S LIFELINE SERVICES**

636 **Q. Does IQT offer Lifeline services pursuant to its tariff on file with**  
637 **Commission?**

638 A. No. As noted earlier, the Company did not file tariff pursuant to Part 757 upon  
639 receiving ETC designation. Yet, it filed a “Lifeline/Linkup” tariff (Ill. C.C. Tariff  
640 No. 1, effective 4/7/2003) years before it filed a petition seeking ETC designation,  
641 which became effective approximately five years and half years before it became  
642 an ETC. The “Lifeline/Linkup” tariff filed on 4/4/2003 remained effective until  
643 2/26/2010 when it was replaced by the 2/24/2010 tariff filing (Ill. C.C. Tariff No.  
644 3, effective 2/26/2010). Nonetheless, IQT did not offer Lifeline or Linkup  
645 services pursuant to Ill. C.C. Tariff No. 1 (effective 4/7/2003) or Ill. C.C. Tariff  
646 No. 3 (effective 2/26/2010). Instead, it has been offering services to its  
647 Lifeline/Linkup customers pursuant to the Lifeline/Linkup Certification Forms.

648 **Q. Please describe the services that IQT offered to its Lifeline customers on its**  
649 **Lifeline/Linkup Certification Forms.**

650 A. IQT provided Staff with sixteen Lifeline/Linkup Certification Forms. Eight of  
651 them were in use between 10/14/2008 and 12/31/2010, and the other eight of them  
652 were in use between 9/1/2010 and 12/31/2010.<sup>39</sup> Thus, Lifeline services listed on  
653 the first eight forms were offered between 10/14/2008 and 12/31/2010, and  
654 Lifeline services listed on the other eight forms were offered between 9/1/2010  
655 and 12/31/2010.

656 **(A) Lifeline services offered between 10/14/2008 and 8/31/2010**  
657 Lifeline services offered between 10/14/2008 and 8/31/2010 include all Lifeline  
658 services listed on the eight forms that were in use between 10/14/2008 and  
659 12/31/2010:

- 660 (1) Local Package (“Local 1”)<sup>40</sup>  
661 • Unlimited local usage  
662 • Call Waiting and Caller ID with Name  
663 • Monthly rate of \$45.97 (not including taxes and fees)

664 (2) Local Package (“Local 2”)<sup>41</sup>

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<sup>39</sup> See IQT Response to Staff Data Request QL-4.01.

<sup>40</sup> See IQT Lifeline/Linkup Certification Form Nos. 1, 2, and 3, for example, IQT Responses to Staff Data Request QL-4.01.

<sup>41</sup> See IQT Lifeline/Linkup Certification Form No. 7, for example, IQT Responses to Staff Data Request QL-4.01.

- 665 • Unlimited local usage
- 666 • Call Waiting and Caller ID with Name
- 667 • Monthly rate of \$45.97 (not including taxes and fees)
- 668 • First Month Free and \$25.00 second month courtesy credit (“FF25SC”)

669 (3) Local Package (“Local 3”)<sup>42</sup>

- 670 • Unlimited local usage
- 671 • Call Waiting and Caller ID with Name
- 672 • Monthly rate of \$45.47 (not including taxes and fees)
- 673 • First Month Free and \$25.00 second month courtesy credit (“FF25SC”)

674 (4) Deluxe Package (“Deluxe 1”)<sup>43</sup>

- 675 • Unlimited local plus 500 minutes of toll and long distance
- 676 • Call Waiting and Caller ID with Name
- 677 • Monthly rate of \$43.49 (not including taxes and fees)
- 678 • First Month Free and \$25.00 second month courtesy credit (“FF25SC”)

679 (5) Deluxe Package (“Deluxe 2”)<sup>44</sup>

- 680 • Unlimited local plus 500 minutes of toll and long distance

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<sup>42</sup> See IQT Lifeline/Linkup Certification Form No. 8, for example, IQT Responses to Staff Data Request QL-4.01.

<sup>43</sup> See IQT Lifeline/Linkup Certification Form Nos. 1-3 & 7-8, for example, IQT Responses to Staff Data Request QL-4.01.

<sup>44</sup> See IQT Lifeline/Linkup Certification Form Nos. 4-6, for example, IQT Responses to Staff Data Request QL-4.01.

- 681                   • Call Waiting and Caller ID with Name
- 682                   • Monthly rate of \$43.49 (not including taxes and fees)
- 683                   • \$25.00 first month credit (“25FC”)

684           It bears noting that none of these five service packages were included in the  
685           Company’s tariffs between 10/14/2008 and 8/31/2010, though they bear some  
686           resemblance, but not identical, to the tariffed residential plans between 2/26/2010  
687           and 8/31/2010.<sup>45</sup> Aside from the tariff problem, these service offerings have the  
688           following flaws.

689           First, note that the FF25SC discount was not offered on the Spanish forms while it  
690           was offered on the English forms. Instead, a much less favorable discount – 25SC  
691           – was offered on the Spanish forms.

692           Second, Lifeline services offered on the English forms also vary from form to  
693           form. For example, the Local Package was offered at \$45.97 per month on some  
694           forms but at \$45.47 per month (or 50¢ lower) on others. The FF25SC offer was  
695           restricted to the Deluxe Package (or not applicable to Local Package) on some  
696           forms, but was applicable to both Local Package and Deluxe Package on others.

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<sup>45</sup> Local 1 is similar to one residential plan in the tariff (effective 2/26/2010), but with a slightly different rate. Local 2 is similar to one residential plan in the tariff (effective 2/26/2010), but the latter has a slightly different rate and does not have the FF25SC feature. Local 3 is similar to one residential plan in the tariff (effective 2/26/2010), but the latter does not have the FF25SC feature. Deluxe 1 is similar to one residential plan in the tariff (effective 2/26/2010), but the latter does not have the FF25SC feature. Deluxe 2 is similar to one residential plan in the tariff (effective 2/26/2010), but the latter does not have the 25FC feature.

697           **(B)     Lifeline services offered between 9/1/2010 and 12/31/2010**

698           Since IQT used all sixteen Lifeline/Linkup Certification Forms between 9/1/2010  
699           and 12/31/2010, Lifeline services offered between 9/1/2010 and 12/31/2010  
700           include Lifeline services listed on all sixteen forms – i.e., the five service  
701           packages listed above and the two service packages listed below.

702           (6)     Deluxe Package (“Deluxe 3”)<sup>46</sup>

- 703                     • Unlimited local plus 250 toll & long distance minutes
- 704                     • Call Waiting and Caller ID with Name
- 705                     • Monthly rate of \$43.49 (not including taxes and fees)
- 706                     • First Month Free and \$25.00 second month courtesy credit (“FF25SC”)

707           (7)     Deluxe Package (“Deluxe 4”)<sup>47</sup>

- 708                     • Unlimited local plus 250 toll & long distance minutes
- 709                     • Call Waiting and Caller ID with Name
- 710                     • Monthly rate of \$43.49 not including taxes and fees
- 711                     • \$25.00 first month credit (“25FC”)

712           The above discussion of the five Lifeline service packages between 10/14/2008  
713           and 8/31/2010 is also valid between 9/1/2010 and 12/31/2010 and shall not be

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<sup>46</sup> See IQT Lifeline/Linkup Certification Form Nos. 9, 13-16, for example, IQT Responses to Staff Data Request QL-4.01.

<sup>47</sup> See IQT Lifeline/Linkup Certification Form Nos. 10-12, for example, IQT Responses to Staff Data Request QL-4.01.

714 reproduced here. The two other Lifeline services offered between 9/1/2010 and  
715 12/31/2010 suffer the same flaws as the five Lifeline services discussed above.

716 Note that the service package, Deluxe 4, was not included in the Company's tariff  
717 between 9/1/2010 and 12/31/2010. Likewise, the service package, Deluxe 3, was  
718 not included in the Company's tariff between 9/1/2010 and 12/21/2010.<sup>48</sup> Aside  
719 from this tariff problem, it appears that IQT discriminates against Hispanic  
720 customers with Deluxe 3 and Deluxe 4 as well. Specifically, the FF25SC  
721 discount offer was included in Deluxe 3 (offered on the English forms), but not  
722 included in Deluxe 4 (offered on the Spanish forms). In its place, a much less  
723 favorable offer – 25FC – was included in Deluxe 4.

724 In summary, IQT does not offer services on its Lifeline/Linkup Certification  
725 Forms pursuant to the tariff on file with the Commission. Moreover, it offers  
726 different services on different Lifeline/Linkup Certification Forms. A customer  
727 enrolling in the Lifeline Program with a form containing the FF25SC would be  
728 able to enjoy the benefits of first month free and \$25.00 second month credit. A  
729 customer enrolling with a different form, however, may not be able to enjoy such  
730 benefits. A customer enrolling with a form that has a Deluxe Package including  
731 500 toll minutes would be able to enjoy 500 toll minutes. In contrast, a customer  
732 enrolling with a form that has a Deluxe Package including 250 toll minutes will

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<sup>48</sup> Note that IQT filed an amendment tariff (effective 12/21/2010) for Deluxe Package 3 on 12/17/2010, more than three months after it started to offer this service package.

733 only be able to enjoy 250 (instead of 500) toll minutes, though at the same rate of  
734 \$59.99 (before discount) per month. There is no justification for the variation in  
735 service offers across Lifeline/Linkup Certification Forms.

736 **LETTER OF AGENCY AND LIFELINE/LINKUP CERTIFICATIONS**

737 **Q. Has IQT produced and used proper Letters of Agency and Lifeline/Linkup**  
738 **certifications?**

739 A. No. In response to Staff's request to provide Lifeline/Linkup certification forms  
740 prepared and circulated by the Company, it provided sixteen Lifeline/Linkup  
741 certification forms, six in Spanish and ten in English.<sup>49</sup> Eight of these forms were  
742 used between 10/14/2008 and 12/31/2010 and the other eight were used between  
743 9/1/2010 and 12/31/2010.<sup>50</sup> In response to Staff's request to provide Letter of  
744 Agency prepared and circulated by the Company, it responded:

745 Attached please find a sample application form as evidence of  
746 verification of subscription to the Lifeline/Linkup assistance  
747 program through IQT.<sup>51</sup>

748 The attached sample application form referred to is identical to the (English)  
749 Lifeline/Linkup Certification Forms that were used between 9/1/2010 and  
750 12/31/2010. Moreover, IQT's Lifeline/Linkup certification forms also provide

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<sup>49</sup> See IQT Responses to Staff Data Request QL-1.02 and QL-1.12.

<sup>50</sup> See IQT Responses to Staff Data Request QL-4.01. Moreover, IQT also provided a copy of its (proposed) Lifeline/Linkup Certification Forms for 2011, which looks essentially the same as those used between 9/1/2010 and 12/31/2010.

<sup>51</sup> IQT Responses to Staff Data Request QL-1.13.

descriptions of services offered to the Lifeline/Linkup customers. This suggests that IQT's Lifeline/Linkup certification forms serve multiple purposes:

- Lifeline Program certification;
- Linkup Program certification;
- Service advertising to provide description of services and rates;
- Letter of Agency to sign up customers.

The top section of the form purports to serve as a Lifeline/Linkup certification form to certify the customer's Lifeline/Linkup eligibility. The middle section of the form seems to be IQT's advertisement board, containing descriptions of services offered to the Lifeline/Linkup customers. The bottom section of the form requires the customer to provide personal information such as name, address, phone number and social security number, etc. Presumably, this section of the form is designated to be the Company's Letter of Agency.

Lifeline/Linkup Programs Certification Form: IQT's Lifeline/Linkup certification form is flawed. The top section of IQT's Lifeline/Linkup Certification Forms, which purports to serve as IQT's Lifeline/Linkup certification form, contains authorization/self-certification statements and a list of seven qualifying programs.

The paragraph of authorization/self-certification contains the following:

I authorize IQ TEL Communications, Inc. or its duly appointed representative to access any records required to verify these statements to confirm my continued participation in the above programs. I authorize representatives of the above programs to discuss with and/or provide copies to my local telephone company, if requested by the company, to verify my participation in the



775           above programs and my eligibility for Lifeline or Linkup  
776           Telephone service. I certify that I have never received a Linkup  
777           subsidy at our existing address. I affirm, under penalty of perjury,  
778           that the forging representations are true.<sup>52</sup> (Emphasis added)

779           IQT's Lifeline/Linkup certification forms are ill-prepared and flawed for the  
780           following reasons.

781           (1)   *Scope of Access Authorization is too broad:* the first authorization  
782           statement grants IQT the authority or its duly appointed representative to access  
783           **any records** required to verify these statements. Aside from the ambiguity of  
784           what "these statements" refer to, the authority granted under the authorization  
785           statements composed by IQT is too broad and it essentially allows IQT or its duly  
786           appointed representative to access "any records" that IQT or its duly appointed  
787           representative deems necessary. The authorization statement(s) should  
788           specifically identify the record(s), the access of which the customer authorizes,  
789           not leaving the scope of access authorization at IQT or its duly appointed  
790           representative's discretion.

791           (2)   *Statements to be verified are ambiguous.* The authorization statements  
792           grant IQT or its duly appointed representative the authority to access any records  
793           required to verify "these statements." However, "these statements" are not  
794           identified, and it is not clear what IQT refers to by "these statements." There is  
795           no designated statement section in IQT's Lifeline/Linkup certification form. Nor

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<sup>52</sup> IQT Lifeline/Linkup Certification Forms provided in response to Staff Data Request QL-1.02 and QL-4.01.

796 are there any statements preceding the authorization statements on some of its  
797 forms (e.g., Form Nos. 7-9, 13). Thus on these forms, it is totally unclear what  
798 statements the authority to be granted is supposed to verify.

799 On some other forms, the sentence that “I hereby certify that I participate in a  
800 minimum of one of the following programs” and a list of seven qualifying  
801 programs precede the authorization statements. Presumably, “these statements”  
802 on these forms refers to the single sentence that “I hereby certify that I participate  
803 in a minimum of one of the following programs.” However, this sentence  
804 certifies that the customer is participating in one or more of the seven programs,  
805 but it does not identify his participating programs. On IQT’s Lifeline/Linkup  
806 certification forms, customers are not required to, and in some cases do not,  
807 identify the programs that he or she is participating.<sup>53</sup> Where the customer does  
808 not identify his participating programs, it is unclear what authority is granted  
809 under either of the authorization statements. For instance, by the first  
810 authorization statement, the customer practically grants IQT or its duly appointed  
811 representative access to any records required to verify the customer’s participation  
812 in *unidentified* programs. By the second authorization statement, the customer  
813 practically grants the representatives of *unidentified* programs the authority to  
814 discuss with and/or provide copies to the local phone company. If by “there  
815 statements” IQT refers to the sentence self-certifying participation in federal

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<sup>53</sup> For example, among the verification forms submitted in IQT’s most recent annual certification, few customers identified the federal programs that he or she is participating.

816 programs, IQT must require the customer to identify his participating program(s).  
817 The authorities granted under the first and second authorization statements must  
818 be limited to the customer's participating programs that have been identified. The  
819 authorization statements composed by IQT have failed to do so.

820 (3) *The authorization statement fails to identify the relevant programs.* The  
821 first authorization statement grants the authority to access any records required to  
822 verify the statements to confirm my participation in the "above programs." The  
823 second authorization statement grants the representatives of the "above programs"  
824 the authority to discuss with and/or provide copies to the local phone company.  
825 As discussed above, there are no programs listed above the authorization  
826 statement on some forms. In such cases, the "above programs" do not exist.

827 Where the federal programs are listed above the authorization statement,  
828 customers are not required to, and in some cases do not, identify his or her  
829 participating programs. In such cases, the "above programs" in the authorization  
830 statements may not be identified. Therefore, IQT composed authorization  
831 statements are too vague or too broad.

832 (4) *The authorization fails to identify IQT as the local phone company that*  
833 *representatives of the above programs may discuss with and/or provide copies to.*  
834 The second authorization statement grants representatives of the above programs  
835 the authority to discuss with or provides copies to "my local phone company."  
836 This statement may certainly be read as granting the representatives of the above

837 programs the authority to discuss with and/or provide copies to *any of “my” local*  
838 *phone company* (for example, AT&T) should “I” (the customer) change “my” (the  
839 customer’s) local service provider from IQT or should “I” (the customer) have  
840 two local phone companies (though not likely). In any event, it would not  
841 impose extra, much less undue, burden on IQT or the customer to identify the  
842 local phone company that representatives of the above programs may discuss with  
843 and/or provide copies to. Failing to do so, authority granted under IQT  
844 composed authorization statement seems to be broader than it should be.

845 (5) *Customers are not requested to identify his or her participating programs. As*  
846 *mentioned above, where the federal programs are listed above the authorization*  
847 *statements, customers are not requested to identify his or her participating*  
848 *programs. It is the case as well where the federal programs are listed below the*  
849 *authorization statements. In short, IQT does not ask its customers to identify his*  
850 *or her participating federal programs, as is required in Exhibit E of Part 757.*  
851 *Thus by examining a completed Form, one cannot tell which of the qualifying*  
852 *program(s) the customer is participating in. This, among other problems, would*  
853 *make it difficult to verify the customer’s eligibility or its self-certification*  
854 *statements.*

855 (6) *The complete, second authorization statement states that “I authorize*  
856 *representatives ... ..., if requested by the company, to verify my participation in*  
857 *the above programs and my eligibility for Lifeline or Linkup Telephone*  
858 *service.”* The last part (**in bold**) of the sentence does not appear to be necessary,

859 since verifying participation in federal programs will verify whether the customer  
860 satisfies the Lifeline eligibility requirement. However if it is meant to clarify that  
861 the verification of participation is for the purpose of verifying Lifeline or Linkup  
862 eligibility (as opposed to other purposes), the last part of the sentence should have  
863 been stated as “to verify my participation in the above programs for purpose of  
864 verifying my eligibility for Lifeline or Linkup Telephone service.” It is important  
865 that these preprinted statements for authorization or self-certification are concise  
866 and easy to read. This is essential because we do not expect the customers to  
867 spend considerable time to digest them before putting their signatures to it.

868 (7) *The self-affirmation statement does not affirm all representations that should be*  
869 *affirmed.* The self-affirmation statement at the end of the authorization/self-  
870 certification paragraph states:

871 I affirm, under penalty of perjury, that the foregoing  
872 representations are true.

873 However, it is not clear what the “foregoing representations” are. Three sentences  
874 or statements in the same paragraph precede the self-affirmation statement above.  
875 In addition to the two authorization statements discussed above, one self-  
876 certification statement, “I certify that I have never received a Linkup subsidy at  
877 our existing address,” also precedes the self-affirmation statement. It is thus  
878 reasonable to assume that the “forgoing representations” include:

- 879 (i) The statement granting authority to access any records required to verify  
880 the customers' participation on the (non-existent or unidentified) above  
881 programs,
- 882 (ii) The statement granting authority for the representatives of the (non-  
883 existent or unidentified) above programs to discuss with and/or provide  
884 copies to the local phone company, and
- 885 (iii) The statement self-certifying that the customer has never received Linkup  
886 support at the current address.

887 On some forms the sentence self-certifying participation in federal programs  
888 precedes the authorization/self-certification paragraph and thus the self-  
889 affirmation statement. On other forms, the sentence self-certifying participation  
890 in federal programs does not precede, but rather follows, the authorization/self-  
891 certification paragraph and thus the self-affirmation statement. In the latter case,  
892 the "foregoing representations" cannot include the statement self-certifying  
893 participation in federal programs. By affirming, under penalty of perjury, that the  
894 "foregoing representations" are true, the customer does not affirm that his self-  
895 certification statement for participation on federal programs is true. Therefore,  
896 the self-affirmation statement does not affirm all presentations that need to be  
897 affirmed.

898 (8) *IQT fails to make sure that sure that its applicants have read and much*  
899 *less certified that he or she has not previously received Linkup support. To be*

900 eligible for federal Linkup support, the customer not only must be participating in  
901 one (or more) federal program, he must also not have previously received Linkup  
902 support at his current address. For a customer that is participating in one or more  
903 qualifying programs and has previously received Linkup support, not all  
904 “forgoing representations” are true. Thus he cannot truthfully affirm the  
905 “forgoing representations” to be true by signing the form. Without signing the  
906 form, he cannot be legitimately accepted in IQT’s Lifeline Program even though  
907 he is eligible for Lifeline support. IQT’s failure to allow for such situations where  
908 the customers are ineligible for Linkup support though eligible for Lifeline  
909 support suggests two possibilities: (i) IQT accepts only customers that are eligible  
910 for both Linkup and Lifeline support, i.e., turning away all customers that are  
911 ineligible for Linkup support, and (ii) IQT has accepted all applicants that have  
912 certified participation in one or more federal programs in the Lifeline Program as  
913 well as in the Linkup Programs, regardless whether the customers have, or have  
914 not, previously received Linkup support.

915 It would be improper if IQT limits its Lifeline/Linkup Programs to customers that  
916 are qualified for **both** supports. And there is no evidence that IQT is doing so.  
917 The alternative is that IQT has accepted all applicants that have certified  
918 participation in one or more federal programs in the Lifeline Program as well as in  
919 the Linkup Program. One may argue that a customer, by signing at the bottom of  
920 the page, has affirmed that the “forgoing representations,” which include the

921 statement self-certifying that he has not previously received Linkup support, are  
922 true. Technically this may be true. However, the manner in which IQT presents  
923 the statement on the forms greatly influences the likelihood that the statement will  
924 be noticed or read and thus the likelihood that the statement will be missed or  
925 ignored. Thus, IQT has the obligation to make sure that the statement is presented  
926 in a manner that is easily noticeable and clearly legible and to make sure that the  
927 customer has read it before signing his name on the form. Yet, from a completed  
928 form one would not be able to infer whether the customer has read, and much less  
929 has affirmed, the statement self-certifying that he has not previously received  
930 Linkup support. The first problem with the Company's presentation of the  
931 statement is that it does not allow for situations where the customers are ineligible  
932 for Linkup but eligible for Lifeline. For these customers, they cannot truthfully  
933 affirm all "forgoing representations to be true by signing their name at the bottom  
934 of the page. By not signing their name, they cannot be accepted in the Lifeline  
935 Program. Not allowing for such situations may have the effect of implicitly  
936 encouraging customers in these situations to affirm a representation that is not  
937 true.

938 Moreover, this statement self-certifying that he has not previously received  
939 Linkup support is inserted between two long authorization statements and the  
940 self-affirmation statements, i.e., not in a standalone paragraph. And it is printed  
941 in font type equivalent to Times New Roman 7-point type on some forms. Even



942 as a standalone sentence, it is difficult to read in such small font type. By  
943 inserting it between two long authorization statements and one affirmation  
944 statement IQT has reduced the likelihood that the statement would be noticed or  
945 read, thus increasing the likelihood that the statement will be missed. Moreover,  
946 by not requiring the applicants to indicate, for example by putting “x” next to it,  
947 that he or she has read the statement, IQT makes it impossible for one to infer  
948 from any completed form whether the customer has read, much less affirmed, the  
949 statement.

950 IQT gained 40,714 Lifeline customers between October 2008 and December  
951 2010, for each and every of whom IQT requested Linkup support. Unless IQT has  
952 turned away all applicants that are ineligible for Linkup support (though eligible  
953 for Lifeline support), it is highly improbable that none of the 40,714 Lifeline  
954 customers added between October 2008 and December 2010 had previously  
955 received Linkup support at his or her current address. This suggests that, in all  
956 likelihood, the statement self-certifying that he or she has not previously received  
957 Linkup support has not been read, or truthfully certified, by all of IQT’s Lifeline  
958 customers.

959 All in all, the manner in which IQT presents this self-certification statement —  
960 e.g., inserting the statement between long sentences, printed in small font type and  
961 not requiring the customer to indicate whether he has read the statement, etc. —

962 has greatly reduced the likelihood that the statement is noticed or read, thus  
963 increasing the likelihood that the statement is missed or simply ignored.

964 (9) *IQT fails to make authorization, self-certification, and self-affirmation*  
965 *statements clearly legible.* With the exception of the statement self-certifying  
966 participation in a federal program, IQT has put all statements on the  
967 Lifeline/Linkup forms in one paragraph. For example, while not bearing any  
968 relationship to, the statement self-certifying that the customer has not previously  
969 received Linkup support is appended to the two authorization statements. By  
970 doing so, IQT reduces the likelihood that the applicants would notice or read each  
971 statement. Moreover, on some of the forms the authorization, self-certification,  
972 and self-affirmation statements not only are crowded in one paragraph but are also  
973 printed with a font type equivalent of Times New Roman 7-point type. Certainly  
974 the Company has not presented all the statements in a manner that it is easy to  
975 read or clearly legible. Thus it has not made reasonable effort to make sure that  
976 its applicants have read and understood each statement before signing their  
977 names.

978 (10) *IQT has failed to require signature on its Lifeline/Linkup forms.* There is  
979 no signature line anywhere on the top section of the forms. In particular, there is  
980 no signature line immediately following the statement self-affirming that the  
981 forgoing representations are true. Admittedly, IQT places a signature line at the  
982 bottom section of its forms. Regardless, IQT should have put a signature line in

983 the top section of the form immediately after the paragraph containing the  
984 authorization, self-certification, and self-affirmation statement. By putting a  
985 signature line far from the representations and the statement affirming the  
986 representations, the applicant may not have realized that he or she is affirming all  
987 the representations on the top section of the form.

988 For all reasons stated above, IQT has not produced or used a proper  
989 Lifeline/Linkup certification form.

990 **Q. Has IQT used proper Letter of Agency form?**

991 A. No. Presumably, IQT intends to have the bottom section of its Lifeline/Linkup  
992 Certification Form serve as its Letter of Agency. As discussed below, this is  
993 improper and in violation of Section 13-902 of the IPUA.

994 Sections 13-902(d)(2)-(5) set forth the requirements for a Letter of Agency:

995 (2) The letter of agency shall be a separate document (or an  
996 easily separable document) or located on a separate screen or  
997 webpage containing only the authorizing language described in  
998 paragraph (5) of this subsection having the sole purpose of  
999 authorizing a telecommunication carrier to initiate a preferred  
1000 carrier change. The letter of agency must be signed and dated by  
1001 the subscriber to the telephone line or lines requesting the preferred  
1002 carrier change.

1003 (3) The letter of agency shall not be combined on the same  
1004 document, or webpage with inducements of any kind.

1005 (4) Notwithstanding paragraphs (2) and (3) of this  
1006 subsection, the letter of agency may be combined with checks that  
1007 contain only the required letter of agency language as prescribed in  
1008 paragraph (5) of this subsection and the necessary information to

1009 make the check a negotiable instrument. The letter of agency  
1010 check shall not contain any promotional language or material. The  
1011 letter of agency shall contain in easily readable, bold-faced type on  
1012 the front of the check, a notice that the subscriber is authorizing a  
1013 preferred carrier change by signing the check. The letter of agency  
1014 language shall be placed near the signature line on the back of the  
1015 check.

1016 (5) At a minimum, the letter of agency must be printed with  
1017 a type of sufficient size and readability to be clearly legible and  
1018 must contain clear and unambiguous language that confirms:

1019 (A) The subscriber's billing name and address and  
1020 each telephone number to be covered by the preferred  
1021 carrier change order;

1022 (B) The decision to change the preferred carrier  
1023 from the current telecommunications carrier to the  
1024 soliciting telecommunications carrier;

1025 (C) That the subscriber designates (inset the name  
1026 of the submitting carrier) to act as the subscriber's agent for  
1027 the preferred carrier change;

1028 (D) That the subscriber understands that only one  
1029 telecommunications carrier may be designated as the  
1030 subscriber's interstate or interLATA preferred  
1031 interexchange carrier for any one telephone number. To  
1032 the extent that a jurisdiction allows the selection of  
1033 additional preferred carrier (e.g., local exchange,  
1034 intraLATA/intrastate toll, interLATA/interstate toll, or  
1035 international interexchange) the letter of agency must  
1036 contain separate statements regarding those choices,  
1037 although a separate letter of agency for each choice is not  
1038 necessary; and

1039 (E) That the subscriber may consult with the carrier  
1040 as to whether a fee will apply to the change in the  
1041 subscriber's preferred carrier.

1042 IQT's Letter of Agency violates Section 13-902(d) of the IPUA in several aspects.

1043 First, it violates Section 13-902(d)(2) in that IQT's Letter of Agency is not a  
1044 "separable document (or easily separable document) ... containing only ...  
1045 authorizing language." Specifically, IQT's Letter of Agency is not "separable"  
1046 from its Lifeline/Linkup Program certification form. A customer unfamiliar with  
1047 Exhibit E of Part 757 or with a Letter of Agency may not recognize that IQT's  
1048 Lifeline/Linkup Certification Forms in fact serve four different purposes, among  
1049 which are Lifeline/Linkup Programs certification and Letter of Agency. The fact  
1050 that IQT merges three signature lines (for Lifeline Program, Linkup Program, for  
1051 Letter of Agency) into one signature line makes it impossible to separate Lifeline  
1052 Program certification or Linkup Program certification from the Letter of Agency,  
1053 regardless the customer's knowledge regarding such matters.

1054 Second, IQT's Letter of Agency violates Section 13-902(d)(3) of the IPUA. By  
1055 merging advertisements of discounted (i.e., Lifeline/Linkup) services and  
1056 Lifeline/Linkup Programs with a Letter of Agency into a single page document,  
1057 IQT essentially combines its Letter of Agency with "inducements", with the  
1058 inducements being the discounted services available under Lifeline/Linkup  
1059 Programs. Thus, it violates Section 13-902(d)(3) of the IPUA.

1060 Third, IQT's Letter of Agency fails to meet the requirements of Section 13-  
1061 902(d)(2) and Section 13-902(d)(5). Section 13-902(d)(2) and Section 13-  
1062 902(d)(5) jointly requires that a Letter of Agency includes only "clear and  
1063 unambiguous language" required in Section 13-902(d)(5)(A)-(E). IQT's Letter of

1064 Agency, however, requires the customer to provide social security number, which  
1065 is obviously not necessary for confirmation under Section 13-902(d)(5)(A)-(E).  
1066 In addition to social security number and an affirmation statement, IQT's Letter  
1067 of Agency only requires the Applicant to provide name and address, current  
1068 phone number(s), contact phone number and contact person's name. More  
1069 specifically,

1070 (i) It does not confirm the Applicant's decision to change the preferred carrier  
1071 from the current telecommunications carrier to the soliciting  
1072 telecommunications carrier (Section 12-902(d)(5)(B)).

1073 (ii) It does not confirm that the subscriber designates IQT to act as the  
1074 subscriber's agent for the preferred carrier change (Section 12-  
1075 902(d)(5)(C)).

1076 (iii) It does not confirm that the subscriber understands that only one  
1077 telecommunications carrier may be designated as the subscriber's  
1078 interstate or interLATA preferred interexchange carrier for any one phone  
1079 number (Section 12-902(d)(5)(D)).

1080 (iv) It does not confirm that the subscriber may consult with carrier as to  
1081 whether a fee will apply to the change in the subscriber's preferred carrier.

1082 Not only does IQT's Letter of Agency require information not prescribed in  
1083 Section 13-902(d)(5) (e.g., social security numbers), it does not contain the  
1084 information and language required under Section 13-902(d)(5) of the IPUA. For

1085 reasons discussed above, IQT's Letter of Agency fails to comply with Section 13-  
1086 902(d) of the IPUA.

1087 **ANNUAL VERIFICATION OF CONTINUED ELIGIBILITY**

1088 **Q. Does IQT use a proper form for annual verification of continued eligibility?**

1089 A. ETCs are required to annually verify that Lifeline customers continue to be  
1090 eligible for Lifeline support. Staff requested that IQT provide "true and correct  
1091 copies of all documentation from Lifeline applicants and customers in any way  
1092 utilized or examined in the most recent annual verification conducted pursuant to  
1093 Code Part 757.430(b) that Lifeline customers continue to be eligible to receive  
1094 Lifeline assistance."<sup>54</sup> In response, IQT provided forty-one self-verification forms  
1095 completed by customers selected during the most recent annual verification.  
1096 These forms appear to be identical to the forms that IQT distributes to its  
1097 prospective Lifeline/Linkup customers, which serves the combined purposes of  
1098 Lifeline/Linkup Programs certification, service advertisement and Letter of  
1099 Agency. IQT's annual verification of continued eligibility is flawed.

1100 To begin with, the preprinted statements in the top section of the annual  
1101 verification form include the following sentence: "I certify that I have never  
1102 received a Linkup subsidy at my existing address." This self-certification  
1103 statement is generally inaccurate where a Lifeline customer recertifies his or her  
1104 eligibility. This is particularly so for IQT's Lifeline customers, since IQT

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<sup>54</sup> See Staff Annual Certification Data Request 1.02.

1105 requests Linkup support for each and every new Lifeline customer. Requesting  
1106 the customers to affirm a clearly false statement is to invite the customers to  
1107 commit perjury.

1108 Moreover, IQT devotes the middle section of its annual verification form to  
1109 service advertisement. The FF25SC inducement is offered on some verification  
1110 forms. IQT's advertisement of services on its verification forms is improper for  
1111 various reasons. None of the service packages on the verification forms was  
1112 included in IQT's tariff at the time these verification forms were used or  
1113 completed. So, it was advertising untariffed services. In addition, a verification  
1114 form should serve the sole purpose of verifying a customer's continued eligibility.  
1115 IQT's FF25SC offer on these forms is not only improper but misleading. If, by  
1116 "first" or "second" month, IQT refers to the first and second months after  
1117 enrollment in the Lifeline/Linkup Programs, then the offer would not apply where  
1118 the Lifeline customers recertify his or her eligibility. On the other hand, if by the  
1119 "first" and "second" months, IQT refers to the first and second months after the  
1120 customer recertifies his or her eligibility, IQT would be providing inducements  
1121 for the customer to recertify his eligibility. This is not proper.

1122 Fourth, IQT's verification forms do not require a customer to identify the federal  
1123 programs that he is participating in for purposes of recertifying his eligibility. In  
1124 most cases, one cannot tell which federal program(s) the customer is participating  
1125 in by examining the completed forms. This makes it difficult to for outside



1126 agencies to verify the customer's recertification of eligibility. Requiring a  
1127 customer to identify his participating programs would not impose extra, much less  
1128 undue, burden on customers or IQT. In addition, it is required by Exhibit E of  
1129 Part 757.<sup>55</sup> However, IQT has failed to do so.

1130 For all reasons discussed above, IQT has produced or used proper forms for  
1131 Lifeline/Linkup certification or enrollment.

1132 **REQUESTING LOW INCOME SUPPORT WITHOUT ETC DESIGNATION**

1133 **Q. Has IQT requested Lifeline/Linkup as a reseller?**

1134 A. Yes. In response to Staff Data Requests, IQT provided the numbers of Lifeline  
1135 customers that it served through resale and using unbundled network elements  
1136 ("UNEs") between January and November of 2010, both of which are  
1137 summarized in Table 1 below.

Table 1: IQT Resale and UNE-P Lifelines<sup>56</sup>

	Resale Lifeline	UNE-P Lifeline	Resale Lifeline (%)	UNE-P Lifeline (%)
Jan-10	2,218	12	99.46%	0.54%
Feb-10	2,192	10	99.55%	0.45%
Mar-10	1,191	2	99.83%	0.17%
Apr-10	1,752	6	99.66%	0.34%
May-10	2,313	4	99.83%	0.17%

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<sup>55</sup> A carrier may use a different form than Exhibit E of Part 757. But it must meet all requirements in Exhibit E of Part 757.

<sup>56</sup> Both resale and UNE-P Lifeline line counts are taken from IQT Response to Staff Data Request QL-1.20(A)-(B). Note that the Lifeline line counts provided in IQT Response to Staff Data Request QL-1.20(A)-(B) differ slightly from the line counts provided in IQT Part 757 Reports. But the discrepancy is small and would not in any way alter the analysis or conclusion here.

Jun-10	5,304	6	99.89%	0.11%
Jul-10	7,533	8	99.89%	0.11%
Aug-10	6,174	11	99.82%	0.18%
Sep-10	5,038	8	99.84%	0.16%
Oct-10	4,941	7	99.86%	0.14%
Nov-10	4,226	3	99.93%	0.07%
Total	42,882	77	99.82%	0.18%

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From Table 1, IQT served more than 99% of its Lifeline customers through resale (under Section 13-404) for each of the eleven months. Overall, it served 99.82% of the Lifeline customers through resale for this period.<sup>57</sup> Accordingly, it obtained 99.82% of the Lifeline support from the USAC for this period as a reseller. Alternatively, Lifeline support requested as a reseller accounts for 99.82% of total Lifeline support requested during this period. Thus, IQT requested only a tiny portion of its federal Linkup support as a facilities-based LEC.

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IQT has also provided the numbers of Linkup customers that it served through resale and using UNEs between January and November of 2010, both of which are summarized in Table 2 below.

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Table 2: IQT Resale and UNE-P Linkup Lines<sup>58</sup>

<sup>57</sup> IQT serves its non-Lifeline customers predominantly through resale as well. IQT serves a total of 88% of its customers (Lifeline and non-Lifeline) through resale. See IQT Responses to Staff Data Request QL-1.19.

<sup>58</sup> Both resale and UNE-P Linkup line counts are taken from IQT Response to Staff Data Request QL-1.22 (A)-(B). Note that the Linkup line counts provided in IQT Response to Staff Data Request QL-1.22(A)-(B) differ slightly from the line counts provided in IQT Part 757 Reports. But the discrepancy is very small and would not in any way alter the analysis or conclusion here.

	Resale Linkup	UNE-P Linkup	Resale Linkup (%)	UNE-P Linkup (%)
Jan-10	824	0	100.00%	0.00%
Feb-10	770	0	100.00%	0.00%
Mar-10	522	0	100.00%	0.00%
Apr-10	1,074	2	99.81%	0.19%
May-10	1,500	0	100.00%	0.00%
Jun-10	4,572	2	99.96%	0.04%
Jul-10	5,724	3	99.95%	0.05%
Aug-10	4,469	2	99.96%	0.04%
Sep-10	3,663	0	100.00%	0.00%
Oct-10	3,156	0	100.00%	0.00%
Nov-10	2,664	0	100.00%	0.00%
Total	28,938	9	99.97%	0.03%

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1151 From Part 757 Reports, IQT has requested federal Linkup support for each and  
1152 every new Lifeline customer since October 2008. The number of Linkup  
1153 customers is the same as the number of new Lifeline customers. Note that IQT  
1154 served at least 99.95% of its Linkup (new Lifeline) customers through resale for  
1155 each of the eleven months. In seven of the eleven months, IQT served all (100%)  
1156 of its Linkup (new Lifeline) customers through resale. Overall, it served 99.97%  
1157 of its Linkup (new Lifeline) customers through resale (under Section 13-404) for  
1158 this period. As a result, it obtained 99.97% of its Linkup support from the USAC  
1159 for this period as a reseller. Or alternatively, federal Linkup support requested as a  
1160 reseller accounts for 99.97% of its total federal Linkup support requested during  
1161 this period. That is, IQT requested only a minimal portion of its federal Linkup  
1162 support as a facilities-based LEC.

1163 Staff requested that IQT identify the authority under which it may request federal  
1164 Lifeline or Linkup support as a reseller. IQT responded that it “was granted ETC  
1165 designation as a wireline reseller in Illinois in Docket No. 08-0453.”<sup>59</sup>

1166 **Q. Did the Commission grant IQT ETC designation as a reseller in Docket No.**  
1167 **08-0453?**

1168 A. No. First and foremost, IQT did not seek ETC designation in Docket No. 08-  
1169 0453 as a reseller. In its ETC Application, it contended that it “meets the two  
1170 criterion set forth in Section 214(e)(1)” of the 1996 Telecommunications Act.<sup>60</sup>  
1171 One of the two criteria referred to, Section 214(e)(1)(A) (“facilities requirement”),  
1172 requires that eligible telecommunications carriers:

1173 offer the services that are supported by the Federal Universal  
1174 Service support mechanism under section 254(c), either using its  
1175 own facilities or a combination of its own facilities and resale of  
1176 another carrier’s services including the service offered by another  
1177 eligible telecommunications carrier.

1178 IQT characterized itself as a telecommunications carrier that “provides unbundled  
1179 network local exchange and access service over facilities purchased in a  
1180 wholesale agreement with ATT Illinois.”<sup>61</sup> To demonstrate that it satisfies the  
1181 facilities requirement of Section 214(e)(1)(A), IQT stated:

1182 IQ TELECOM offers all of the supported services enumerated  
1183 under Section 254(c) using facilities obtained as UNEs from SBC.  
1184 According to FCC rules, facilities obtained as UNEs satisfy the

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<sup>59</sup> See IQT Responses to Staff Data Request QL-1.20(A)(1).

<sup>60</sup> See para.3 of IQT Application, ICC Docket No. 08-0453.

<sup>61</sup> See para.4 of IQT Application, ICC Docket No. 08-0453.

1185 requirement that an ETC provide the supported services using  
1186 either its own facilities or a combination of its own facilities and  
1187 resale of another carrier's services. Accordingly, the Company  
1188 satisfies the requirement set forth in Section 214(e)(1)(A).<sup>62</sup>  
1189 (Emphasis added)

1190 IQT is certified to provide local exchange services in Illinois: (i) as a reseller  
1191 under Section 13-404 and as a facilities-based LEC under Section 13-405,  
1192 respectively. IQT's plain statements above unmistakably show that it was seeking  
1193 ETC designation in Docket No. 08-0453 as a facilities-based LEC that provides  
1194 all supported services using UNEs obtained from SBC, not as a reseller that  
1195 provides supported services through resale of another carrier's services.

1196 Based on evidence presented in its ETC Application, the Commission in Docket  
1197 No. 08-0453 found that IQT met the requirements for ETC designation, and in  
1198 particular, the facilities requirement of Section 214(e)(1)(A). Thus, it granted IQT  
1199 ETC designation as a facilities-based LEC, which provides supported services  
1200 using UNEs obtained from SBC or the ILEC, not through resale of another  
1201 carrier's services.

1202 Thus, the Commission could not have granted IQT ETC designation as a reseller.  
1203 Above all, it did not seek ETC designation as a reseller in Docket No. 08-0453.  
1204 As a result, IQT is not eligible to receive Lifeline or Linkup support from the  
1205 USAC as a reseller.

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<sup>62</sup> See para.9 of IQT Application, ICC Docket No. 08-0453.

1206 **Q. Does IQT understand that it is not qualified for federal Lifeline/Linkup**  
1207 **subsidy as a reseller under the ETC designation in Docket No. 08-0453?**

1208 A. It should. First, the Company must be aware of the fact that it sought ETC  
1209 designation in Docket No. 08-0453 as a local exchange carrier that **provides all**  
1210 **supported services using UNEs obtained from SBC**. Obviously, as a reseller it  
1211 does not provide all (or any) supported services using UNEs obtained from the  
1212 ILEC. Instead, it provides local exchange services through resale of another  
1213 carrier's service. As it did not seek ETC designation as a reseller in Docket No.  
1214 08-0453, it must have realized that it could not have been granted something that  
1215 it did not seek (i.e., ETC designation for a carrier that provides services through  
1216 resale of another carrier's service). It is extremely difficult to imagine that the  
1217 Company does not know or remember that it sought ETC designation as a local  
1218 exchange carrier that that **provides all supported services using UNEs obtained**  
1219 **from SBC**, not as a reseller, in Docket No. 08-0453.

1220 Second, the fact that the Company is seeking a wireless ETC designation in this  
1221 proceeding suggests that it does recognize that it is not qualified for federal  
1222 Lifeline/Linkup supports as a wireless carrier under the ETC designation granted  
1223 in Docket No. 08-0453. For one thing, it did not seek ETC designation in Docket  
1224 No. 08-0453 as a wireless carrier and thus could not have been granted a wireless  
1225 ETC designation. Similarly, it did not seek ETC designation in Docket No. 08-  
1226 0453 as a reseller. Thus, it should have recognized that it may not be qualified for  
1227 federal Lifeline/Linkup subsidy as a reseller.

1228 Should IQT takes the position that it should be allowed to request federal Lifeline  
1229 and Linkup support as a reseller, it should have petitioned the Commission for  
1230 ETC designation as a reseller. Yet, it did not do. Therefore, in my opinion, IQT  
1231 is not eligible to receive federal Lifeline or Linkup support as reseller.

1232 **Q. Is it possible that IQT provided some supported services using UNEs**  
1233 **obtained from AT&T and all other supported services through resale of**  
1234 **AT&T's or another carrier's services for its resale (as opposed to UNE-P)**  
1235 **customers?**

1236 A. Technically, it is possible. For example, a carrier may provide some supported  
1237 services using UNEs obtained from the ILEC (e.g., OS/DA services), and all other  
1238 supported services through resale of another carrier's services, for any given end  
1239 user customers. In such a case, the carrier would be providing the end user  
1240 customers OS/DA services using leased facilities (UNEs) under Section 13-405  
1241 and all other supported services through resale under Section 13-404. Under the  
1242 current federal rules, the carrier would be considered to provide supported  
1243 services using "a combination of its own facilities and resale of another carrier's  
1244 services" and thus satisfy the requirement of Section 214(e)(1)(A). In this case,  
1245 the carrier's ETC designation received as a facilities-based LEC would arguably  
1246 allow the carrier to request federal Lifeline and Linkup support.

1247 However, this does not appear to be the case for IQT. Since certified to provide  
1248 local exchange services (facilities-based and resale) in Docket No. 01-0333, IQT  
1249 has entered into an Interconnection Agreement ("ICA") with AT&T and a first

1250 amendment to the ICA.<sup>63</sup> According to the Appendix Resale of the ICA, IQT  
1251 purchases both OS/DA Support Functions from AT&T under the resale agreement  
1252 in the ICA. AT&T also provides Emergency Call routing to the appropriate  
1253 Public Safety Answering Point (“PSAP”). In addition, IQT does not provide any  
1254 of the following access services to its resale end user customers using own/leased  
1255 facilities or UNEs: (i) Access to emergency service, (ii) Access to OS, (iii) Access  
1256 to DA, or (iv) Access to interexchange service. Instead, it appears to provide  
1257 these access services under the resale agreement of the ICA. In fact, it appears to  
1258 provide all supported services to its resale end user customers under the resale  
1259 agreement in the ICA. Thus, IQT appears to provide all supported services to  
1260 some (a very small portion) of its customers — i.e., UNE-P end user customers —  
1261 using UNEs obtained from AT&T. And it provides all supported services to other  
1262 (the overwhelming majority) of its customers — i.e., resale end user customers —  
1263 through resale of AT&T’s services. IQT is not eligible to receive federal Lifeline  
1264 or Linkup support as a reseller or for customers it serves through resale. As a  
1265 result, it should not be allowed to obtain federal Lifeline or Linkup support as a  
1266 reseller or for customers that it serves through resale.

1267 **Q. Are there any other circumstances where the ETC designation granted in**  
1268 **Docket No. 08-0453 may arguably apply to IQT as a reseller?**

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<sup>63</sup> The ICA and the first amendment to the ICA were approved in Docket Nos. 06-0630 and 06-0631, respectively. Note that IQT is currently before the Commission seeking approval for the agreement it entered into with AT&T Illinois to adopt the Interconnection Agreement by and between AT&T Illinois and TDS MetroCom, LLC for the State of Illinois, which was approved by the Commission under on October 24, 2001 in Docket No. 01-0612, including any Commission approved amendments to such agreement (*See*, ICC Docket No. 11-0181).



1269 A. Yes. First consider the situation where a wireless carrier provides facilities-based  
1270 wireless to most of its area, but uses a roaming arrangement to fill in the holes  
1271 (small areas outside the carrier's existing network coverage). In this case, the  
1272 carrier would predominantly provide facilities-based wireless services. The  
1273 Commission has in the past approved ETC designation where a wireless carrier  
1274 provides facilities-based wireless to most of its area, but uses a roaming  
1275 arrangement to fill in the holes.<sup>64</sup> In the ICC Cellular Order, the Commission  
1276 granted ETC designation in exchanges that lie within Cellular's service area but  
1277 outside its existing network coverage.<sup>65</sup>

1278 However, where the carrier does not provide facilities-based wireless service to  
1279 most of its service area, the Commission has in the past rejected ETC designation.  
1280 For instance, the Commission in Docket No. 07-0154 declined to grant Cellular  
1281 Properties, Inc wireless ETC designation in two exchanges that "lie mostly  
1282 outside the FCC license area of Cellular Properties and which have very limited  
1283 coverage."<sup>66</sup>

1284 Now consider situations where a carrier provides local exchange services to most  
1285 of its service areas using UNEs obtained from the ILEC, but uses resale services

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<sup>64</sup> See, for example, ICC Order, Cellular Properties, Inc: Application for designation as an Eligible Telecommunications Carrier for Purposes of Receiving Federal Universal Service Support pursuant to Section 214(e)(2) of the Telecommunications Act of 1996, ICC Docket No. 07-0154. ("ICC Cellular Order")

<sup>65</sup> Id. at 30.

<sup>66</sup> Id. at 30.

1286 to fill in the holes (i.e., small areas outside the carrier's existing network  
1287 coverage). In this case, the carrier would predominantly provide local exchange  
1288 service using UNEs. In this case, the ETC designation granted the carrier as a  
1289 faculties-based LEC may arguably be applied to the carrier's resale operation,  
1290 which is used to fill the holes.

1291 However, IQT does not provide local exchange services predominantly using  
1292 UNEs obtained from the ILEC. On the contrary, it served more than 99% of its  
1293 Lifelines in 2010 through resale. Thus, it is fair to say that IQT provides locale  
1294 exchange services predominantly through resale, merely using UNEs to fill the  
1295 holes. Therefore, IQT may not apply the ETC designation granted in Docket No.  
1296 08-0453 to its resale operation. In other words, it may not request federal  
1297 Lifeline/Linkup subsidy as a reseller under the ETC designation granted in  
1298 Docket No. 08-0453.

1299 **Q. How much federal Lifeline and Linkup support has IQT obtained as a**  
1300 **reseller, thus improperly?**

1301 A. As noted above, in responses to Staff Data Requests IQT has provided the  
1302 numbers of its resale Lifeline and resale Linkup customers between January and  
1303 November of 2010, which are summarized in Table 1 and Table 2, respectively.  
1304 From Table 1, IQT served 99.82% of its "Lifeline" customers through resale  
1305 during this period. It thus obtained 99.82% of its Lifeline support as a reseller

1306 during this period. Therefore, it is properly eligible for only 0.18%, and ineligible  
1307 for 99.82%, of the Lifeline support amount obtained during this period.

1308 IQT requests \$8.02 (= \$4.52 Tier 1 + \$1.75 Tier 2 + \$1.75 Tier 3) per line per  
1309 month in federal Lifeline support.<sup>67</sup> The federal Lifeline support amount for this  
1310 period can be calculated as: \$344,531 (= \$8.02 x 42,959). Of this amount, IQT is  
1311 properly eligible for only \$618 (= \$8.02 x 77), which it obtained as a facilities-  
1312 based LEC. It is ineligible for \$343,914 (= \$8.02 x 42,882), which it obtained as a  
1313 reseller.

1314 Under Section 54.403(c) of the federal rules<sup>68</sup>, ETCs may request Lifeline support  
1315 for providing toll limitation, which “shall equal to the eligible  
1316 telecommunications carriers’ incremental cost of providing either toll blocking or  
1317 toll control.”<sup>69</sup> IQT provides a \$4.98 per month Toll Limitation subsidy for  
1318 Lifeline customers subscribing to a Deluxe Package.<sup>70</sup> This indicates that IQT  
1319 requests \$4.98 per line in Toll Limitation support from the USAC for each  
1320 Lifeline customer subscribing to a Deluxe Package. The precise number of  
1321 Lifeline customers subscribing to a Deluxe Package is not available at this point.  
1322 However, a close examination of the service packages on IQT’s Lifeline/Linkup

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<sup>67</sup> See IQT Response to Staff Data Request QL-1.18.

<sup>68</sup> 47 CFR §54.403(c)

<sup>69</sup> ‘Toll limitation: denotes either toll blocking or toll control for eligible telecommunications carriers that are incapable of providing both services. For eligible telecommunications carriers that are capable of providing both services, “toll limitation” denotes both toll blocking and toll control.’ §54.400 CFR 47.

<sup>70</sup> See IQT Responses to Staff Data Request QL-4.03(A).

1323 Certification Forms reveals that the monthly rate (after Lifeline discount) for a  
1324 Deluxe Package (“Deluxe”) is lower than that for a Local Package (“Local”),  
1325 even though the former offers more. There does not seem to be any reason for a  
1326 Lifeline customer to subscribe to the Local Package, as it can get more for less  
1327 with the Deluxe Package. Thus, it is only reasonable to assume that all of IQT’s  
1328 Lifeline customers subscribe to its Deluxe Package. The amount of Toll  
1329 Limitation support can therefore be calculated as: \$213,936 ( $=\$4.98 \times 42,959$ ).  
1330 Of this amount, IQT is eligible for only \$383 ( $=\$4.98 \times 77$ ), which it obtained as a  
1331 facilities-based LEC. It is ineligible for \$213,552 ( $=\$4.98 \times 42,882$ ), which it  
1332 obtained as a reseller.

1333 From Table 2, IQT served 28,947 ( $=28,938$  resale + 9 UNE-P) Linkup customers.  
1334 Since IQT has requested federal Linkup support for each and every new Lifeline  
1335 customer, it added 28,947 new Lifeline customers between January and  
1336 November of 2010.<sup>71</sup> IQT served 99.97% of these Linkup (new Lifeline)  
1337 customers through resale. From its response to Staff Data Requests and Part 757  
1338 Reports, IQT has been requesting \$30.00 in federal Linkup support for each and  
1339 every new Lifeline customer since October 2008.<sup>72</sup> The federal Linkup support  
1340 amount requested between January and November of 2010 can be calculated as:

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<sup>71</sup> Note that the Linkup line counts provided in IQT’s Responses to Staff Data Request QL-1.22(A)-(B) differ slightly from those provided in the Part 757 Reports. The discrepancy is very small – a total of eight line counts for the eleven month period of time – and thus would not alter the analysis or conclusion here.

<sup>72</sup> See IQT Response to Staff Data Request QL-1.18(C) and Part 757 Reports.

\$868,410 (=\$30 x 28,947). Of this amount, it is eligible for only \$270 (=\$30 x 9), which it requested as a facilities-based LEC. It is ineligible for \$868,140 (=\$30 x 28,938), which it requested as a reseller or for customers that it served through resale.

The federal low income (Lifeline, Toll Limitation and Linkup) support amounts requested between January and November of 2010 and calculated above are summarized in Table 3 below.

Table 3: IQT's low income support amounts between January and November of 2010

	Per Line Support	Resale Lifeline	UNE-P Lifeline	Total
Linkup Support	30.00	868,140	270	868,410
Lifeline Support	8.02	343,914	618	344,531
Toll Limitation Support	4.98	213,552	383	213,936
Total	-	1,425,606	1,271	1,426,877

In total, IQT obtained \$1,426,877 in federal low income support between January and November of 2010. Of this amount, it is properly eligible for only \$1,271, which it received as facilities-based LEC. It is ineligible for \$1,425,606, which it received as a reseller or for customers that it served through resale. Put differently, it is eligible for only 0.09%, but ineligible for 99.91%, of the \$1,426,877 federal low income support amount requested and obtained during between January and November of 2010.

**Q. Please provide estimates of the federal low income support amounts that IQT has obtained as a reseller for December 2010 and the period between October 2008 and December 2009.**

1360 A. The resale Lifeline and Linkup line counts for December 2010 and between  
1361 October 2008 and December 2009 are not available in this proceeding.<sup>73</sup> First, it is  
1362 necessary to calculate the total low income (Lifeline, Linkup and Toll Limitation)  
1363 support amounts that IQT requested for December 2010 and between October  
1364 2008 and December 2009 based on information from IQT's Part 757 Reports.  
1365 IQT added 1,923 new Lifeline customers in December 2010, and its end-of-month  
1366 Lifeline line count for December 2010 is 3,077. Between October 2008 and  
1367 December 2009, it added 9,852 new Lifeline customers, for each of whom IQT  
1368 requested federal Linkup support. The sum of end-of-month Lifeline line counts  
1369 between October 2008 and December 2009 is 21,188.

1370 It is proper to use the end-of-month Lifeline line count as an estimate for the  
1371 number of Lifeline support that IQT requests for the month. This is likely to be a  
1372 conservative figure, given that IQT may have requested Lifeline support for  
1373 customers that left during the month and thus not included such customers in the  
1374 end-of-month line counts. The federal Linkup, Lifeline, and Toll Limitation  
1375 support amounts requested for December 2010 are calculated as follows:

- 1376       ▪ \$57,690 (= \$30 x 1,923) in federal Linkup support;
- 1377       ▪ \$24,678 (= \$8.02 x 3,077) in federal Lifeline support; and
- 1378       ▪ \$15,323 (= \$4.98 x 3,077) in federal Toll Limitation support.

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<sup>73</sup> At the time when Staff issued its Data Requests, the line counts for December 2010 were not available yet. Staff did not request the resale and facilities line counts before 2010 out of the concerns at the time that it may impose undue burden on the Company in view of the volume of information requested altogether at the time.

1379 The combined federal low income (Linkup, Lifeline, and Toll Limitation) support  
1380 amount requested by IQT for December 2010 is: \$97,691.

1381 The federal Linkup, Lifeline, and Toll Limitation support amounts requested  
1382 between October 2008 and December 2009 are calculated as follows:

- 1383       ▪ \$295,560 (= \$30 x 9,852) in federal Linkup support;
- 1384       ▪ \$169,928 (= \$8.02 x 21,188) in federal Lifeline support; and
- 1385       ▪ \$105,516 (= \$4.98 x 21,188) in federal Toll Limitation support.

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1387 The combined federal low income (Linkup, Lifeline, and Toll Limitation) support  
1388 amount requested by IQT between October 2008 and December 2009 is:  
1389 \$571,004.

1390 From Table 3, the combined federal low income (Linkup, Lifeline, and Toll  
1391 Limitation) support amount requested by IQT between January and November of  
1392 2010 is \$1,426,877. The total combined federal low income support amount  
1393 requested by IQT between October 2008 and December 2010 is: \$2,095,572  
1394 (= \$571,004 + \$1,426,877 + \$97,691). The federal Linkup, Lifeline, and Toll  
1395 Limitation support amounts requested by IQT between October 2008 and  
1396 December 2010 and calculated above are summarized in Table 4 below.

Table 4: IQT's federal Linkup, Lifeline and Toll Limitation support amounts

	Linkup	Lifeline	Toll Limitation	Total
October 2008-December 2009	295,560	169,928	105,516	571,004
January 2010-November 2010	868,410	344,531	213,936	1,426,877

December 2010	57,690	24,678	15,323	97,691
Total	1,221,660	539,136	334,776	2,095,572

1397  
1398 From Table 1 and Table 2 IQT served, on average, 99.82% of its Lifeline and  
1399 99.97% of its Linkup (or new Lifeline) customers through resale between January  
1400 and November of 2010. Both resale Lifeline and resale Linkup ratios have been  
1401 consistent and steady, with little variation, over the 11-month period. This  
1402 suggests that resale Lifeline ratios for December 2010 and between October 2008  
1403 and December 2009 are unlikely to depart significantly from 99.82%. Likewise,  
1404 resale Linkup ratios for December 2010 and between October 2008 and  
1405 December 2009 are unlikely to depart significantly from 99.97%. It is reasonable  
1406 and conservative to assume that, on average, IQT served at least 99% of its  
1407 Lifeline customers and at least 99% of its Linkup (or new Lifeline) customers  
1408 through resale between October 2008 and December 2010.<sup>74</sup> Accordingly, the  
1409 total federal low income support amount requested by IQT as a reseller accounts  
1410 for at least 99% of the total \$2,095,572 federal low income support amount  
1411 requested between October 2008 and December 2010. Of the \$2,095,572 support

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<sup>74</sup> Using 99% as the estimate for resale Lifeline and resale Linkup ratios is also reasonable and conservative for another reason. 71% of IQT's Lifeline customers acquired between October 2008 and December 2010 were in fact acquired between January and November of 2010. Only 29% were acquired between October 2008 and December 2009 or in December 2010. The weighting factor for the average resale Lifeline and Linkup ratios between January and November of 2010 (71%) are more than twice the weighting factor for December 2010 and between October 2008 and December 2009 (29%). So the overall average would be more tilted towards the average resale Lifeline and Linkup ratios between January and November of 2010, which are 99.82% and 99.97%, respectively.



1412 amount obtained, IQT is properly eligible at most for \$20,956 (1%). And it is  
1413 ineligible at least for \$2,074,616 (99%).

1414 **IMPROPERLY REQUESTING FEDERAL LINKUP SUPPORT**

1415 **Q. Has IQT requested federal Linkup support where it is not eligible for such**  
1416 **support?**

1417 A. Yes. In response to Staff Data Requests, IQT provided its Part 757 Reports for  
1418 the period from October 2008 to December 2010.<sup>75</sup> Based on the reports, IQT has  
1419 requested federal Linkup support for each and every new Lifeline customer  
1420 between October 2008 and December 2010. And the number of federal Linkup  
1421 supports requested exceeds the number of State Linkup supports requested, both  
1422 of which are summarized in Table 5.

Table 5: Federal and State Linkup Support<sup>76</sup>

	Number of Federal Linkup	Number of State Linkup	Difference
2008 Q4	1,234	1,234	0
2009 Q1	895	895	0
2009 Q2	2,130	2,130	0
2009 Q3	2,766	2,637	129
2009 Q4	2827	2783	44
2010 Q1	2115	2043	72
2010 Q2	7147	7053	94
2010 Q3	13860	13854	6
2010 Q4	7740	7728	12
Total	40,714	40,357	357

1423

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<sup>75</sup> See IQT Responses to Staff Data Requests QL-1.09 and QL-5.03(A).

<sup>76</sup> Federal and State Linkup line counts are taken from IQT Part 757 Reports.

1424 Staff asked IQT to explain the discrepancy between the number of federal Linkup  
1425 supports requested and the number of state Linkup supports requested. IQT  
1426 provided the following response:

1427 Explanation: We were not requesting support for conversion from  
1428 the State, only for new installation.<sup>77</sup> (Emphasis added)

1429 Unlike state Linkup support, IQT requested federal Linkup support for conversion  
1430 as well as for new installation. Of the 40,714 federal Linkup supports requested  
1431 between October 2008 and December 2010, 40,357 of them are for new  
1432 installation and 357 are for conversion. For new installations, IQT requested both  
1433 federal and state Linkup support. For conversions, it requested federal Linkup  
1434 support, but not state Linkup support. In total, it requested \$1,221,420 (= \$30 x  
1435 40,714) in federal Linkup support between October 2008 and December 2010. Of  
1436 this amount, \$1,210,710 (= \$30 x 40,357) is for new installations and \$10,710 (=   
1437 \$30 x 357) is for conversions.<sup>78</sup> This clearly is inappropriate.

1438 The Federal Linkup Program is a federal assistance program for the “reduction in  
1439 the carrier’s customary charge for commencing telecommunications service for a  
1440 single telecommunications connection at a customer’s principal place of  
1441 residence”.<sup>79</sup> A carrier’s customary charge for commencing telecommunication

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<sup>77</sup> See IQT Responses to Staff DR QL-5.02.

<sup>78</sup> In addition to federal Linkup support, IQT also requested \$484,284 = (\$12 x 40,357) in state Linkup support from the UTAC for new installations at \$12.00 per new installation during this period.

<sup>79</sup> Section 54.411(a)(1) of CFR.

1442 services refers to the charge for new installation, commonly known as line  
1443 connection charge, which the carrier customarily charges its new customers for  
1444 establishing or commencing phone services with the carrier.<sup>80</sup> For a customer to  
1445 qualify for federal (or state) Linkup support, the customer (i) must be  
1446 participating in a qualifying federal program, (ii) must not have previously  
1447 received Linkup support at his current address and (iii) must be commencing  
1448 phone services with IQT at the time when he enrolls in the IQT's Lifeline/Linkup  
1449 Programs. For example, if a customer commenced his phone services with IQT in  
1450 November 2008 but enrolled in IQT's Lifeline/Linkup Program in June 2009,  
1451 then the customer would not meet the third criteria stated above. If a customer  
1452 commenced phone services with IQT before it enrolled in the Lifeline/Linkup  
1453 Programs, he or she would not have been charged a customary charge for  
1454 commencing phone services with IQT at the time when he or she enrolled in the  
1455 Lifeline/Linkup Programs. The customer is not assessed a customary charge at  
1456 the time of enrollment in IQT's Lifeline/Linkup Programs, thus the customer  
1457 would not be qualified to receive federal Linkup assistance for the reduction in  
1458 the "customary charge" that did not occur at the time of enrollment in IQT's  
1459 Lifeline/Linkup Program.

1460 IQT may assess a conversion charge on a customer for changing his or her  
1461 classification from "non-Lifeline" to "Lifeline" where the customer commenced

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<sup>80</sup> Note that Linkup support is not for all new installations. Section 54.411(c) limits the number of federal Linkup support a customer may receive at the same principal place of residence to one.

1462 phone services with IQT before it enrolled in the Lifeline/Linkup Programs.  
1463 However, the conversion charge is not a “customary charge” for commencing  
1464 phone services with IQT. So, IQT may not request federal Linkup assistance for  
1465 the reduction in its “customary charge” for conversion. In particular, it is not  
1466 eligible to receive federal (or state) Linkup assistance for the 357 conversions.  
1467 IQT was ineligible to receive the \$10,710 = (\$30 x 357) in federal Linkup  
1468 assistance and improperly obtained this \$10,710 from the USAC.

1469 Eligibility requirements for state Linkup assistance are not more stringent than the  
1470 eligibility requirements for federal Linkup assistance. Generally speaking, a  
1471 customer eligible for state Linkup assistance is also qualified to receive federal  
1472 Linkup assistance and vice versa. IQT recognizes that it may not request state  
1473 Linkup assistance for conversion. Nonetheless, it requested federal Linkup  
1474 assistance for conversion in 357 instances between October 2008 and October  
1475 2010, and thus improperly obtained \$10,710 from the USAC.

1476 **Q. Has IQT requested correct amounts of federal Linkup assistance where it is**  
1477 **eligible for such assistance?**

1478 A. No. Section 54.411 of the FCC regulations<sup>81</sup> requires that “the reduction [in  
1479 customary charge] shall be half of the customary charge or \$30.00, whichever is  
1480 less”. For a carrier to be eligible to receive \$30.00 in federal Linkup assistance,  
1481 the carrier’s customary charge for commencing phone services must be \$60.00 or

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<sup>81</sup> 47 CFR §54.411

1482 more. Put differently, if carrier's customary charge is less than \$60.00, it would  
1483 be eligible to receive less than \$30.00 in federal Linkup assistance.

1484 However, IQT's Part 757 Reports show that IQT has requested \$30.00 in federal  
1485 Linkup assistance for each and every Linkup (or new Lifeline) customer since  
1486 October 2008,<sup>82</sup> regardless of the fact that the customary charge actually assessed  
1487 on its customers has been \$42.00. Thus, it has requested \$9.00, or 43%, more  
1488 than what it is qualified to receive for each and every Linkup (new Lifeline)  
1489 customer since October 2008.

1490 **Q. Please describe the customary charge set forth in its tariff on file with the**  
1491 **Commission.**

1492 A. IQT has made three tariff filings since receiving its certification to provide local  
1493 exchange services in 2001 that set forth the line connection or service  
1494 establishment charge: 4/4/2003, 2/24/2010 and 12/17/2010, respectively.<sup>83</sup> In the  
1495 4/4/2003 tariff filing (Ill. C.C. Tariff No. 1), the customary charge for  
1496 commencing phone services (i.e., installation or service establishment charge)  
1497 was set at \$49.99.<sup>84</sup> In the 2/24/2010 filing (Ill. C.C. Tariff No. 3), the customary  
1498 charge was set at \$59.99. In the 12/17/2010 filing, the customary charge (or line  
1499 connection or installation charge) was amended from \$59.99 to \$42.00. IQT's

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<sup>82</sup> See also IQT Response to Staff Data Request QL-1.18(C).

<sup>83</sup> IQT also made two amendment tariff filings in 2011, but neither amended the line connection charges set forth in the previous tariff filings.

<sup>84</sup> See IQT Ill. C.C. Tariff No. 1 Original Page No. 14 (effective April 7, 2003).

1500 customary charge for commencing phone services set forth in its tariff on file with  
1501 the Commission can be summarized as follows:

Table 6: IQT's Tariffed Customary Charge

Period	Customary Charge	Half Customary Charge
From 04/07/2003 to 02/26/2010	\$49.99	\$25.00
From 02/26/2010 to 12/21/2010	\$59.99	\$30.00
From 12/21/2010 to present	\$42.00	\$21.00

1502

1503 If IQT had been offering services pursuant to its tariff as it is required, it would be  
1504 eligible to receive \$25.00, \$30.00 and \$21.00 in federal Linkup assistance for the  
1505 three periods, respectively. However, it has not been offering services pursuant to  
1506 the tariff on file with the Commission. Nonetheless, IQT should not be allowed to  
1507 request an amount in federal Linkup assistance that exceeds half the customary  
1508 charge set forth in the tariff on file with the Commission. Specifically, the  
1509 amount that IQT may request in federal Linkup assistance should be limited to the  
1510 smallest of the three: (i) \$30.00, (ii) half the customary charge set forth in the  
1511 tariff on file with the Commission and (iii) half the customary charge that IQT  
1512 actually assesses on its customers.

1513 **Q. Please describe the customary charge that IQT has actually assessed on its**  
1514 **customers.**

1515 A. IQT appears to have charged \$42.00 for commencing phone services since  
1516 October 2008. Recall that IQT has not been offering services pursuant to the  
1517 tariff on file with the Commission. And worse, it does not appear to possess

1518 copies of its tariffs filed with the Commission between 4/7/2003 and  
1519 12/31/2010.<sup>85</sup> Moreover, as IQT admits, it has not provided any documents to its  
1520 prospective Lifeline/Linkup customers regarding its service offers other than the  
1521 Lifeline/Linkup Certification Forms.<sup>86</sup> Thus, it seems that IQT has been offering  
1522 services to its Lifeline/Linkup customers exclusively pursuant to the terms  
1523 described in its Lifeline/Linkup Certification Forms.

1524 Of the sixteen Lifeline/Linkup Certification Forms provided to Staff, fourteen  
1525 contain no information regarding the customary (or installation) charge for  
1526 commencing phone services. Two forms, Form Nos. 7 and 13, list an installation  
1527 charge of \$59.99 and a promotion of \$17.99, which is the equivalent \$42.00  
1528 (= \$59.99 - \$17.99) installation charge.

1529 Since Form No. 7 has been effective or in use since October 2008, both the  
1530 \$59.99 installation charge and \$17.99 promotion have been offered since October  
1531 2008. Though termed “promotion”, the \$17.99 discount has been offered together  
1532 with the installation charge of \$59.99 since October 2008.

1533 Note that the \$17.99 promotion is not specified or stated in any of IQT’s tariffs on  
1534 file with the Commission. Unlike the federal/state Linkup discount, the \$17.99

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<sup>85</sup> Note that IQT’s initial tariff, Ill. C.C. Tariff No.1 (effective 4/7/2003), was filed on 4/4/2003.

Copies of “tariffs” that were supposedly filed between 4/7/2003 and 12/31/2010 and provided to Staff in responses Staff Data Request QL-4.04 are not identical in all aspects to those on file with the Commission and thus could not have been filed, and much less approved, by the Commission.

<sup>86</sup> See IQT Responses to Staff Data Request QL-4.02.

1535 promotion does not seem to be limited to Linkup customers. Instead, it appears to  
1536 be applicable to non-Linkup and Lifeline customers alike. In this case, IQT's  
1537 customary charge for commencing phone service should be \$42.00 (=\$59.99 -  
1538 \$17.99), not \$59.99. Therefore, unless IQT has provided evidence that the \$17.99  
1539 promotion has not been offered to any non-Lifeline customers since October  
1540 2008, IQT's customary charge should be \$42.00 (=\$59.99 - \$17.99), not \$59.99.

1541 **Q. Please explain why IQT's customary charge on its Lifeline/Linkup**  
1542 **Certification Forms should be \$42.00, not \$59.99.**

1543 A. A promotional offer is a discounted offer that is generally valid for a limited or  
1544 short period of time. According to IQT's Lifeline/Linkup Certification Form, the  
1545 \$17.99 discount has been offered in conjunction with the \$59.99 installation  
1546 charge since October 2008.

1547 The \$59.99 installation charge with \$17.99 discount is equivalent to an  
1548 installation charge of \$42.00, or an installation charge of \$50.00 with \$8.00  
1549 discount, or an installation charge of \$80.00 with \$38.00 discount, and so on. In  
1550 fact, it is the equivalent of countless combinations of installation charges and  
1551 discounts provided that the net charge (=installation – discount) is equal to  
1552 \$42.00.

1553 If the \$17.99 discount is limited to Linkup customers (i.e., inapplicable to non-  
1554 Linkup customers), it may arguably be used to increase the customary charge. In  
1555 such a case, the installation charge for a non-Linkup customer is \$59.99 while the



1556 installation charge for a Linkup customer is \$42.00 (before Linkup support). One  
1557 may reason that the “customary charge” in Section 54.411 of CFR refers to  
1558 installation charge that a carrier customarily assesses on its unsubsidized  
1559 customers for commencing phone service and thus the customary charge should  
1560 be \$59.99 (=\$42.00 + \$17.99).

1561 If the \$17.99 discount is applicable to all (non-Linkup and Linkup) customers, the  
1562 installation charge for commencing phone services for non-Lifeline customers  
1563 would be \$42.00. Likewise, the installation charge for Linkup customers (before  
1564 Linkup support) would also be \$42.00. In such a case, the \$17.99 discount serves  
1565 absolutely no purpose other than artificially inflating the customary charge from  
1566 \$42.00 to \$59.99. No carrier should be allowed to invent artificial discounts to  
1567 inflate the amount of federal subsidy that it is entitled to.

1568 In absence of irrefutable evidence that IQT has not offered the \$17.99 discount to  
1569 any non-Linkup customers since October 2008, IQT should not be allowed to use  
1570 the \$17.99 promotion to inflate its customary charge from \$42.00 to \$59.99.

1571 **Q. Has IQT explicitly stated that its installation charge (before Linkup support)**  
1572 **is \$42.00?**

1573 A. Yes. IQT has explicitly stated that its line connection charge (before discount) is  
1574 \$42.00.<sup>87</sup> It has also stated that it provides a \$42.00 discount to its Linkup  
1575 customers, of which \$30.00 comes from federal Linkup support and \$12.00 comes

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<sup>87</sup> See IQT Response to Staff DR QL-1.16(C).

1576 from state Linkup support.<sup>88</sup> Thus the installation charge for a Linkup customer is  
1577 \$42.00 before the discount and \$0.00 after discount.

1578 IQT has specified in the amendment tariff (effective 12/21/2010) that the line  
1579 connection charge is \$42.00 for non-Linkup customers and for Linkup customers  
1580 (before Linkup discount), respectively. As IQT provides \$42.00 Linkup discount  
1581 (= \$30.00 federal Linkup + \$12.00 state Linkup), the installation charge for a  
1582 Linkup customer (after Linkup discount) is \$0.00.

1583 Note that IQT did not file the amendment tariff (effective 12/21/2010) to  
1584 introduce new services (or to amend its existing services) as it is supposed to.  
1585 Rather, it filed the tariff to “introduce” services/rates that it began offering long  
1586 before it filed the tariff. Or, it filed the tariff to “introduce” services that it began  
1587 offering in order to comply with Section 501 of the IPUA.<sup>89</sup> Presumably, it filed  
1588 the amendment tariff (effective 12/21/2010) to correct its Section 501 violations.  
1589 This suggests that IQT’s installation or customary charge has been \$42.00 long  
1590 before the amendment tariff (effective 12/21/2010).

1591 Note that the \$42.00 installation charge is the equivalent of a \$59.99 installation  
1592 charge with \$17.99 discount. The \$59.99 installation charge in conjunction with

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<sup>88</sup> See IQT Response to Staff DR QL-1.18(C)-(E).

<sup>89</sup> (a) No telecommunications carrier shall offer or provide telecommunications service unless and until a tariff is filed with the Commission which describes the nature of the service, applicable rates and other charges, terms and conditions of service, and the exchange, exchanges or other geographical area or areas in which the service shall be offered or provided. 220 ILCS 5/13-501

1593 \$17.99 discount has been offered (on the Lifeline/Linkup Certification Forms)  
1594 since October 2008. Therefore, in absence of irrefutable evidence that IQT has  
1595 not offered the \$17.99 discount to any non-Linkup customers, it is only  
1596 reasonable to conclude that IQT has assessed the installation charge of \$42.00  
1597 since October 2008 to its non-Linkup and Linkup customers alike.

1598 **Q. How much federal Linkup support has IQT obtained above what it is**  
1599 **entitled to receive?**

1600 A. IQT gained 40,714 new Lifeline customers between October 2008 and December  
1601 2010. And it requested \$30.00 in federal Linkup assistance for each and every  
1602 Linkup (new Lifeline) customer. In total it obtained \$1,221,420 ( $=\$30 \times 40,714$ )  
1603 in federal Linkup assistance during this period. Since the customary charge has  
1604 been \$42.00 (or the equivalent of \$59.99 with \$17.99 discount) since October  
1605 2008, it is entitled to receive \$21.00 (not \$30.00) in federal Linkup subsidy. So,  
1606 IQT has been requesting \$9.00 or 43% more than what it is entitled to for each  
1607 Linkup customer. Of the \$1,221,420 federal Linkup subsidy obtained, it is  
1608 properly eligible only for \$854,994 (70%). Therefore, it has improperly obtained  
1609 \$366,426 in federal Linkup subsidy.

1610 The above analysis assumes that all the 40,714 new Lifeline customers added  
1611 between October 2008 and December 2010 are indeed eligible for federal Linkup  
1612 (or Lifeline) subsidy. But this is not the case. As discussed before, only a tiny  
1613 portion of the 40,714 customers are eligible for federal Linkup subsidy. In fact,

1614 IQT may request federal Linkup subsidy only for the small number of the 40,714  
1615 customers that it served as a facilities-based LEC or using UNEs. The extent of  
1616 IQT's improper collection of federal Linkup subsidy goes far beyond 30% of the  
1617 total requested/obtained.

1618 **FAILURE TO PASS THROUGH THE FULL AMOUNT OF LIFELINE**  
1619 **SUPPORT**

1620 **Q. Has IQT passed through the full amount of Lifeline support to its qualifying,**  
1621 **low income customers?**

1622 A. No. Section 54.403(a) of the federal regulations states that the federal Lifeline  
1623 support for all eligible telecommunications carriers shall be equal to Tier One,  
1624 Tier Two and Tier Three support. Tier One support is equal to the "tariffed rate  
1625 in effect for the primary residential End User Common Line charge of the  
1626 incumbent local exchange carrier serving the area in which the qualifying low  
1627 income consumer receives service."<sup>90</sup> Tier Two is set at \$1.75, and Tier Three is  
1628 set at \$1.75 or one half the amount of any state-mandated Lifeline support or  
1629 Lifeline support otherwise provided by the carrier, whichever is smaller.

1630 ETCs may also request Lifeline support for providing toll limitation, which "shall  
1631 equal the eligible telecommunications carrier's incremental cost of providing  
1632 either toll blocking or toll control, whichever is selected by the particular  
1633 consumer" ("Toll Limitation").<sup>91</sup>

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<sup>90</sup> See 47 CFR §54.403(a)(1).

<sup>91</sup> See 47 CFR §54.403(c).

1634 For Tier Two support, the carrier must certify that “that it will pass through the  
1635 full amount of Tier-Two support to its qualifying, low-income consumers.”<sup>92</sup>  
1636 Likewise, for Tier Three support, the carrier must certify that it will pass through  
1637 the full amount of Tier-Three support to its qualifying low-income consumers.”<sup>93</sup>  
1638 Moreover,  
1639 Eligible telecommunications carriers that charge federal End User  
1640 Common Line charges or equivalent federal charges shall apply  
1641 Tier-One federal Lifeline support to waive the federal End-User  
1642 Common Line charges for Lifeline consumers. Such carriers shall  
1643 apply any additional federal support amount to a qualifying low-  
1644 income consumer’s intrastate rate, if the carrier has received the  
1645 non-federal regulatory approvals necessary to implement the  
1646 required rate reduction. Other eligible telecommunications carriers  
1647 shall apply the Tier-One federal Lifeline support amount, plus any  
1648 additional support amount, to reduce their lowest tariffed (or  
1649 otherwise generally available) residential rate for the services  
1650 enumerated in §54.101(a)(1) through (a)(9), and charge Lifeline  
1651 consumers the resulting amount.<sup>94</sup> (Emphasis added)  
1652 Clearly, ETCs must pass through the full amount of support requested or received  
1653 from the USAC. As state/carrier-matching support is a requisite for Tier Three  
1654 support, state/carrier-matching support should be subject to the same requirements  
1655 as Tier Three support. Note that there is no state-mandated Lifeline support in  
1656 Illinois. Eligible telecommunications carriers in Illinois must pass the full amount  
1657 of carrier-matching support up to \$3.50.

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<sup>92</sup> See 47 CFR §54.403(a)(2).

<sup>93</sup> See 47 CFR §54.403(a)(3).

<sup>94</sup> See 47 CFR §54.403(b).

1658 The residential EUCL charge of the ILEC in IQT's ETC area (AT&T Illinois) is  
1659 \$4.52. IQT's carrier-matching support is \$3.50 and toll limitation discount is  
1660 \$4.98. The full amount of Lifeline support provided to its customers subscribing  
1661 a Local Package is: \$11.52 (= \$4.52 Tier 1 + \$1.75 Tier 2 + \$1.75 Tier 3 + \$3.50  
1662 Carrier-Matching). Likewise, the full amount of Lifeline support provided to its  
1663 customers subscribing to a Deluxe Package is \$16.50 (= \$4.52 Tier 1 + \$1.75 Tier  
1664 2 + \$1.75 Tier 3 + \$3.50 Carrier-Matching + \$4.98 Toll Limitation).<sup>95</sup> To pass  
1665 through the full amount of support necessarily means that the difference in rates  
1666 between non-Lifeline customers and Lifeline customers is \$11.52 for a Local  
1667 Package and \$16.50 for a Deluxe Package. More precisely, the discounted (or  
1668 after discount) rate for a Lifeline Deluxe (Local) subscriber should be \$16.50  
1669 (\$11.52) lower than that for a non-Lifeline Deluxe (Local) subscriber.

1670 Recall that the rate after the Lifeline discount for a Deluxe Package is lower than  
1671 that for a Local Package, even though the former offers more. There doesn't  
1672 seem to be any reason for a Lifeline customer to subscribe to a Local Package,  
1673 since he can get more for less with a Deluxe Package. Thus, it is reasonable to  
1674 infer that all IQT's Lifeline customers subscribe to its Deluxe Package. The rate  
1675 after Lifeline discount should be \$16.50 lower than that for its non-Lifeline  
1676 customers subscribing to Deluxe Package. But, this is not always so.

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<sup>95</sup> See IQT Response to Staff Data Request QL-4.03(A)-(B). IQT also claims to offer additional discounts, which, as discussed earlier, appear to be applicable to all (not just Lifeline/Linkup) customers. See IQT Response to Staff Data Request QL-4.03(B)(3).

1677 First, IQT has offered the “first month free” discount in conjunction with the  
1678 Deluxe Package (on the Lifeline/Linkup Certification Forms) since October 2008.  
1679 Second, the “first month free” discount is specifically stated for non-Lifeline and  
1680 Lifeline customers alike in the amendment tariff filing (effective 12/21/2010). As  
1681 noted before, IQT did not make the amendment tariff filing (effective 12/21/2010)  
1682 to “introduce” services (or to amend existing services) as it is required by law to  
1683 do. Instead, it filed the amendment tariff for services that it has long been  
1684 offering in order to comply with Section 13-501 of the IPUA (i.e., offering  
1685 without filing a tariff). This suggests that IQT has started to offer the “first month  
1686 free” discount in conjunction with the Deluxe Package to non-Lifeline and  
1687 Lifeline customers alike long before the amendment tariff filing (effective  
1688 12/21/2010).

1689 In absence of evidence that IQT has not offered the “first month free” discount to  
1690 any non-Lifeline customers, it is reasonable to conclude IQT has offered the “first  
1691 month free” discount in conjunction with the Deluxe Package since October 2008.  
1692 As a result, the rate for a Lifeline Deluxe subscriber (\$0.00) is the same as the rate  
1693 for a non-Lifeline Deluxe subscriber (\$0.00). That is, it is not \$16.50 lower as it  
1694 ought to be.

1695 IQT has requested the same amount of federal Lifeline subsidy for the first month  
1696 as it does for subsequent months of services.<sup>96</sup> Yet, it did not pass through the full

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<sup>96</sup> See IQT Responses to QL-5.04(A).

1697 (or any) amount of Lifeline subsidy to the Lifeline customers for the first month  
1698 of service. In other words, while it obtains the Lifeline subsidy for the first month  
1699 of service, it has failed to pass the full (or any) amount of federal Lifeline subsidy  
1700 to the Lifeline customers for the first month of service: the net monthly charge for  
1701 a Lifeline Deluxe subscriber (\$0.00) is the same as the monthly charge for a non-  
1702 Lifeline Deluxe subscriber (\$0.00), not \$16.50 lower as it ought to be. Given that  
1703 it gained 40,714 new Lifeline customers between October 2008 and December  
1704 2010, IQT has obtained \$671,781 = (\$16.50 x 40,714) in first month Lifeline  
1705 subsidy, which it has failed to pass on to the Lifeline customers.

1706 In the absence of irrefutable evidence that IQT has not offered the “first month  
1707 free” discount to any non-Lifeline customers since October 2008, IQT has  
1708 improperly withheld \$671,781 in first month Lifeline subsidy from the USAC and  
1709 it should not be allowed to do so.

1710 **IQT’S LIFELINE/LINKUP PROGRAMS HAVE HARMED THE**  
1711 **CONSUMERS AND THE PUBLIC INTEREST**

1712 **Q. Please describe the extent of IQT’s success in gaining Lifeline customers and**  
1713 **the extent of its failure to retain them.**

1714 **A.** In responses to Staff Data Requests, IQT provided the Part 757 Reports for the  
1715 period from October 2008 to December 2010.<sup>97</sup> The reports provide the numbers  
1716 of Linkup and new Lifeline customers as well as end-of-month Lifelines, which  
1717 are summarized in Table 7.

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<sup>97</sup> See IQT Responses to Staff Data Requests QL-1.09 and QL-5.03.



Table 7: Summary of IQT Lifeline/Linkup Programs

	Lifeline Addition	Lifeline Disconnection	Cumulative Lifeline Addition	Cumulative Lifeline Disconnection	End-of- Month Lifeline
2008Q4	1,234	100	1,234	100	1,134
2009Q1	895	363	2,129	463	1,666
2009Q2	2,130	2,391	4,259	2,854	1,405
2009Q3	2,766	2,117	7,025	4,971	2,054
2009Q4	2,827	2,557	9,852	7,528	2,324
2010Q1	2,115	3,254	11,967	10,782	1,185
2010Q2	7,147	3,033	19,114	13,815	5,299
2010Q3	13,860	14,121	32,974	27,936	5,038
2010Q4	7,740	9,701	40,714	37,637	3,077

1718

1719

The Lifeline disconnection is equal to:

1720

[New Lifeline additions for the month] + [End-of-month Lifelines of the preceding month] – [End-of-month Lifelines of the month]

1721

1722

Needless to say, the cumulative Lifeline addition and disconnection are the sums

1723

of Lifeline additions and Lifeline disconnections, respectively.

1724

In total, IQT gained 40,714 Lifeline customers between October 2008 and

1725

December 2010. But only 3,077 (7.56%) of them remained by yearend 2010.

1726

The other 37,637 (92.44%) of them had departed by yearend 2010. For the third

1727

quarter of 2010 alone, IQT gained 13,860 Lifeline customers but lost 14,121

1728

Lifeline customers, resulting in net loss of 261. For the fourth quarter of 2010,

1729

IQT lost 9,701 Lifeline customers but gained 7,740 Lifeline customers, resulting

1730

in a net loss of 1,961. Overall, IQT has excelled in gaining new Lifeline

1731

customers but it has utterly failed to retain them. Its success with gaining Lifeline

1732

customers and its total failure to retain them have worked together to generate

1733 such extraordinarily high churn rates that they demand a closer look at IQT's  
1734 Lifeline/Linkup Programs.

1735 **Q. Please provide a detailed evaluation of IQT's unusually high churn rates.**

1736 A. In response to Staff Data Requests, IQT provided the numbers of new Lifeline  
1737 customers gained each month in 2010. It also provided the numbers of Lifeline  
1738 customers gained each month in 2010 that have departed in less than one month,  
1739 two months and three months, respectively. These line counts are summarized in  
1740 Table 8.

Table 8: Pattern of IQT Lifeline Disconnections<sup>98</sup>

	Lifeline Addition	Less than 1 month	More than 1 & less than 2 months	More than 2 & less than 3 months	Less than 3 months (%)
Jan-10	824	8	120	590	87.14%
Feb-10	770	7	576	140	93.90%
Mar-10	521	9	261	169	84.26%
Apr-10	1,075	13	613	367	92.37%
May-10	1,499	11	1,107	263	92.13%
Jun-10	4,573	12	3,152	1,268	96.92%
Jul-10	5,727	16	4,486	1,057	97.07%
Aug-10	4,470	12	3,644	697	97.38%
Sep-10	3,663	8	2,268	1,242	96.04%
Oct-10	3,156	7	2,138	903	96.58%
Nov-10	2,661	11	2,037	548	97.56%
Dec-10	1,923	6	1,336	521	96.88%
Total	30,862	120	21,738	7,765	95.99%

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<sup>98</sup> Lifeline additions are taken from IQT's Part 757 Reports. The less-than-1-month, more-than-1-but-less-than-2-month, and more-than-2-but-less-than-3-months line counts between January and October of 2010 are taken from IQT Responses to Staff Data Request QL-5.03(B)-(D), the line counts for November and December of 2010 are taken Staff Annual Certification Data Requests 2.05(A)-(C) and 2.06(A)-(C).

1742 Altogether, IQT added 30,862 new Lifeline customers in 2010. Of these, 120  
1743 (0.39%) remained with IQT for less than one month, 21,738 (70.44%) remained  
1744 for more than one but less than two months and 7,765 (25.16%) remained for  
1745 more than two months but less than three months. Put differently, of the 30,862  
1746 Lifeline customers gained in 2010, 70.82% (21,858) remained for less than two  
1747 months, 95.99% (29,623) remained for less than three months and only 4.01%  
1748 (1,239) remained for three months or longer.<sup>99</sup>

1749 The unusually high churn rates are not limited to 2010. The churn rates for 2008  
1750 and 2009 are unusually high as well, but they are not as high as the churn rates for  
1751 2010. From Table 7, IQT added 4,259 new Lifeline customers between October  
1752 2008 and June 2009 but lost more than two-thirds them by the end of June 2009.  
1753 It added 9,852 new Lifeline customers between October 2008 and December 2009  
1754 but lost more than three-quarters of them by yearend 2009. Likewise, it added  
1755 40,714 new Lifeline customers between October 2008 and December 2010, but  
1756 lost more than 92% of them by yearend 2010. IQT's Lifeline churn rates are not  
1757 only unusually high since October 2008, they also have been accelerating, with

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<sup>99</sup> According to IQT Responses to UTAC Data Requests No.2, none of the Lifeline customers remaining with IQT on 9/30/2010 have been with IQT for more than 12 months (See IQT Responses to Staff Data Request QL-1.01). This seems to suggest that all of IQT's Lifeline customers would have departed within a year.

1758 97% of new Lifeline customers gained in December 2010 departing in less than  
1759 three months.<sup>100</sup>

1760 **Q. What are some possible reasons for IQT's unusually high churn rates?**

1761 Basically, the unusually high churn rates are a direct result of the way IQT  
1762 manages its Lifeline and Linkup Programs. Both Linkup and Lifeline Programs  
1763 are federal assistance programs that provide subsidies to make basic, local phone  
1764 service more affordable to low income customers. The federal Linkup Program  
1765 provides a subsidy towards the customary cost of commencing phone services,  
1766 thus helping to get customers connected to the Public Switched Telephone  
1767 Network ("PSTN"). The federal Lifeline Program, on the other hand, provides a  
1768 subsidy towards the recurring cost of maintaining phone services (i.e., monthly  
1769 recurring charge), thus helping to ensure that the customer stays connected to the  
1770 PSTN. Needless to say, ensuring that the customer stays connected is as  
1771 important as getting customers connected.

1772 IQT's Linkup Program and Lifeline Program do not seem to be working in  
1773 conjunction with each other. The Linkup Program has achieved considerable  
1774 success in getting Lifeline customers connected. But Lifeline Program has totally

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<sup>100</sup> Note that the number of Lifeline customers gained in December 2010 that have departed in less than three months is taken from IQT Responses to Staff Annual Certification Data Request 2.06(A)-(C), provided to Staff on 3/10/2011. It is likely that some Lifeline customers gained in December 2010 may depart, or may have departed, between 3/10/2011 and 3/31/2011. In all likelihood, the fraction of Lifeline customers gained in December 2010 that depart in less than three months could be higher than what is presented in Table 8.

1775 failed to retain them or to ensure they stay connected. A direct result of this is  
1776 that IQT gains a large number of Lifeline customers but loses them in a short  
1777 period of time (e.g., less than three months), which generates the observed,  
1778 unusually high churn rates.

1779 **Q. Please describe IQT's Linkup Program.**

1780 A. IQT has been offering the \$42.00 installation charge (before discount) since  
1781 October 2008.<sup>101</sup> For each Linkup customer, it has collected \$42.00 in Linkup  
1782 subsidy: \$30.00 from the USC and \$12.00 from UTAC, and provides a \$42.00  
1783 Linkup discount.<sup>102</sup> The net installation charge is \$0.00. In other words, it would  
1784 not cost a Linkup customer anything at all to get connected to the network. This  
1785 is one of the driving forces behind IQT's success with gaining Lifeline customers.

1786 **Q. Is there anything else under the Linkup Program that may have contributed**  
1787 **to IQT's success with gaining Lifeline customers?**

1788 A. Yes. A line connection or installation charge is a nonrecurring charge that a  
1789 carrier customarily assesses on its customers for commencing phone services.  
1790 Federal rules limit the number of Linkup support that low income customers may  
1791 receive:

1792 A carrier's Link Up program shall allow a consumer to receive the  
1793 benefit of the Link Up program for a second or subsequent time  
1794 only for a principal place of residence with an address different

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<sup>101</sup> See IQT Lifeline/Linkup Certification Forms and see also IQT Response to Staff DR QL-1.16(C).

<sup>102</sup> See IQT Response to Staff DR QL-1.18(C)-(E).

1795 from the residence address at which the Link Up assistance was  
1796 provided previously.<sup>103</sup>

1797 Therefore a customer may not receive more than one federal Linkup support at  
1798 the same address. Note that the \$0.00 net installation charge for a Lifeline  
1799 customer is the direct result of Linkup assistance. If a customer is not made fully  
1800 aware of the one-time restriction of Linkup subsidy, the customer may be lead to  
1801 believe that he or she can get a Linkup subsidy, and a \$0.00 net installation  
1802 charge, whenever commencing phone service with a carrier. Thus the customer  
1803 may not exercise due diligence in selecting a service provider or more caution in  
1804 making the decision to terminate or commence service. As discussed before, IQT  
1805 has made less than reasonable efforts to make sure that its customers understand  
1806 that they may not receive more than one federal Linkup subsidy. As a result,  
1807 IQT's Lifeline customers may not have been aware of the one-time restriction of  
1808 Linkup subsidy. This misleading practice, in conjunction with \$0.00 net  
1809 installation charge, has certainly contributed to IQT's success with getting  
1810 customers connected.

1811 **Q. Please describe IQT's Lifeline Program.**

1812 A. Based on the Lifeline/Linkup Certification Forms, IQT has been offering the  
1813 following services to its Lifeline customers since October 2008:

1814 (A) Local Package.<sup>104</sup>

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<sup>103</sup> 47 CFR §54.411(c).

- 1815           ▪ Unlimited local with Call Waiting and Caller ID with Name,  
1816           ▪ Monthly rate of \$56.99, and  
1817           ▪ “First month free and \$25.00 second month credit” discount (“FF25SC”).

1818           (B) Deluxe Package.<sup>105</sup>

- 1819           ▪ Unlimited local with Call Waiting and Caller ID with Name;  
1820           ▪ 500 (or 250) toll and long distance minutes;  
1821           ▪ Monthly rate of \$59.99, and  
1822           ▪ “First month free and \$25.00 second month credit” discount (“FF25SC”).

1823           Note that IQT provides an \$11.52 Lifeline discount to Lifeline customers  
1824           subscribing to Local Package and a \$16.50 Lifeline discount to Lifeline customers  
1825           subscribing to Deluxe Package.<sup>106</sup> The rate after the Lifeline discount for the

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<sup>104</sup> The Local Package without the FF25SC discount was included in the tariff filing (effective 2/26/2010) on 2/24/2010. The Local Package with the FF25SC” discount was included in the amendment tariff filing (effective 12/21/2010) on 12/17/2010. Therefore, IQT had been offering Local Package with the FF25SC discount without a tariff from 10/14/2008 to 12/21/2010. Or it had been offering Local Package with the FF25SC discount in violation of Section 13-501 of the IPUA between 10/14/2008 to 12/21/2010.

<sup>105</sup> The Deluxe Package that includes 500 toll minutes (“Deluxe 500”) but without the FF25SC discount was included in the tariff filing (effective 2/26/2010) on 2/24/2010. But the Deluxe Package 500 with the FF25SC discount was not included in any of IQT’s tariff filings. Based on the Lifeline/Linkup Certification Forms in use between 10/14/2008 and 12/31/2010, IQT offered Deluxe 500 with the FF25SC discount between 10/14/2008 and 12/31/2010 and did so without a tariff, thus violating Section 13-501 of the IPUA.

The Deluxe Package that includes 250 toll minutes (“Deluxe 250”) with the FF25SC discount was included in the amendment tariff filing (effective 12/21/2010) on 12/17/2010. Based on the Lifeline/Linkup Certification Forms in use since 9/1/2010, IQT has been offering Deluxe 250 with the FF25SC discount since 9/1/2010. Thus it was offering Deluxe 250 with the FF25SC discount without a tariff between 9/1/2010 and 12/21/2010, thus violating Section 13-501 of the IPUA.

<sup>106</sup> See IQT Responses to Staff Data Request QL-4.03(A)-(B).

1826 Deluxe Package is lower than that for the Local Package, even though the former  
1827 offers more. There is no reason to expect a Lifeline customer to select Local  
1828 Package, since he can get more for less with the Deluxe Package. The following  
1829 analysis is conducted assuming that all Lifeline customers subscribe to Deluxe  
1830 Package.

1831 The monthly rates for the Deluxe Package can be written as: (i) \$0.00 or free for  
1832 the first month, (ii) reduced rate of \$34.99 ( $= \$59.99 - \$25.00$ ) for second month  
1833 before the Lifeline discount, and (iii) full rate of \$59.99 for third and subsequent  
1834 months before the Lifeline discount.

1835 From Table 8, more than 70% of the 30,862 Lifeline customers gained in 2010  
1836 departed in less than two months. These customers appear to have departed  
1837 before they had to make payment for the second month of service, which is  
1838 offered at the reduced rate of \$34.99 ( $= \$59.99 - \$25.00$ ) before the Lifeline  
1839 discount. In other words, these customers appear to have remained as long as  
1840 they did not have to pay.

1841 More than 25% of the 30,862 Lifeline customers gained in 2010 remained for two  
1842 months but departed in less than three months. These customers may have made  
1843 payment for the second month of services, which is offered at the reduced rate of  
1844 \$34.99 ( $= \$59.99 - \$25.00$ ) before the Lifeline discount but appear to have left



1845 before they had to make payment for the third month of service at the full rate of  
1846 \$59.99.

1847 4% or fewer of the 30,862 Lifeline customers IQT gained in 2010 remained more  
1848 than three months or may have made payments for the third month of service at  
1849 the full rate of \$59.99 before Lifeline discount.

1850 Overall, as many as 96% of Lifeline customers gained in 2010 discontinued  
1851 service with IQT as soon as the full benefits of the FF25SC introductory discount  
1852 were exhausted. Clearly, this introductory discount has been one of the driving  
1853 forces behind IQT's success with gaining Lifeline customers. Put it differently,  
1854 had it not been for this introductory discount, IQT would have gained only less  
1855 than 4% (1,239) of the 30,862 Lifeline customers that it actually gained in 2010.

1856 Note that the features of Deluxe Package are the same for the first two months as  
1857 they are for subsequent months (i.e., unlimited local calling, call waiting, caller  
1858 ID with name, 500 or 250 toll minutes). The only difference between the first two  
1859 months of service and subsequent months' of services is the monthly rates: unlike  
1860 the first two months, the customers must pay the full rate of \$59.99 for the third  
1861 and subsequent months. The fact that as many as 96% of Lifeline customers  
1862 gained in 2010 departed before they had to pay the full rate or as soon as they  
1863 exhausted the full benefits of the FF25SC introductory discount strongly suggests  
1864 IQT's Lifeline customers will remain with IQT only when the service is free or

1865 offered at a reduced rate. Put bluntly, they do not consider IQT's service  
1866 affordable or desirable. This is the single most important reason behind IQT's  
1867 unusually high churn (or disconnection) rates.

1868 **Q. Is there any information regarding the reasons for Lifeline disconnections?**

1869 A. Yes. IQT has presented a list of reasons for which Lifeline customers have  
1870 terminated service with IQT, which are summarized in Table 9.<sup>107</sup>

Table 9: Reasons for Lifeline Disconnection

	Customer couldn't afford service	Customer didn't make payment	Customer is moving	Customer is switching to AT&T or Comcast	Personal Issue
Jan-10	3%	90%	2%	4%	1%
Feb-10	2%	91%	1%	5%	1%
Mar-10	3%	89%	2%	4%	2%
Apr-10	3%	82%	1%	12%	2%
May-10	5%	84%	3%	7%	1%
Jun-10	2%	88%	3%	4%	3%
Jul-10	2%	89%	4%	3%	2%
Aug-10	4%	88%	5%	1%	2%
Sep-10	4%	88%	5%	2%	1%
Oct-10	8%	80%	7%	3%	2%

1871  
1872 The number of disconnections underlying the percentages in Table 9 includes all  
1873 disconnections: Lifeline customers that remained with IQT for less than 3 months,  
1874 and Lifeline customers that remained with IQT for more than 3 months, at the

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<sup>107</sup> See IQT Responses to UTAC Data Requests, which was provided to Staff. See IQT Response to Staff QI-1.01.

1875 time of disconnection.<sup>108</sup> Interestingly, IQT treats “couldn’t afford” and “didn’t  
1876 make payment” as two distinctive categories. This seems to suggest that  
1877 disconnected Lifeline customers in the “didn’t make payment” category could  
1878 afford the services but chose not to pay. It unclear how IQT makes the  
1879 determination that disconnected Lifeline customers in the “didn’t make payment”  
1880 category could afford the service but didn’t pay anyway.

1881 Between January and October of 2010, “couldn’t afford service” accounts for 2%  
1882 to 8%, and “didn’t make payment” accounts for 84% to 91%, of total Lifeline  
1883 disconnections. Based on IQT’s own analysis, the single most important reason  
1884 for Lifeline disconnections is “didn’t make payment”, not “couldn’t afford  
1885 service” or else. From 84% to 91% of disconnected Lifeline customers could  
1886 afford the service but chose not to, or otherwise failed to, make payments. This  
1887 suggests that these customers do not find IQT’s services desirable unless they are  
1888 free or offered at a substantially reduced rate.

1889 IQT has also provided the numbers of disconnected Lifeline customers that never  
1890 made a payment, which are summarized in Table 10.<sup>109</sup> The fraction of  
1891 disconnected Lifeline customers that never made a payment is calculated based on

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<sup>108</sup> It must be noted that the monthly disconnections in 2010 provided in response to UTAC Data Request (not presented here) are similar, but not identical to, the monthly disconnections calculated based on IQT’s Part 757 Quarterly Report. Nonetheless, IQT’s breakup of the reasons for disconnection is revealing and consistent with Staff’s analysis.

<sup>109</sup> See IQT Responses to Staff Data Request QL-1.01.

1892 the total Lifeline disconnections and Lifeline disconnections that never made a  
1893 payment.<sup>110</sup>

Table 10: Fraction of Lifeline disconnections that never made a payment

	Lifeline customers disconnected	Lifeline customers disconnected who never made a payment	Lifeline customers disconnected who never made a payment (%)
10-Jan	1,000	788	79%
10-Feb	823	676	82%
10-Mar	1,464	1,160	79%
10-Apr	667	420	63%
10-May	885	742	84%
10-Jun	1,643	1,435	87%
10-Jul	3,536	3,257	92%
10-Aug	5,835	5,543	95%
10-Sep	4,838	4,505	93%
10-Oct	3,115	2,853	92%
Total	23,806	21,379	90%

1894 Between January and October of 2010, customers that never made a payment  
1895  
1896 account for 90% of total Lifeline disconnections. Between July and October, the  
1897 percents are even higher, ranging from 92% to 95%.

1898 Table 9 and Table 10 clearly suggest that the majority of IQT's Lifeline  
1899 customers would only remain with IQT when the service is free (such as first  
1900 month), or to a lesser degree, when the service is offered at a substantially

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<sup>110</sup> It must be noted that the percent of Lifeline disconnections that never made a payment should be included in the sum of line counts of Lifeline disconnections due to "didn't make payment". Thus the percent of disconnection due to "didn't make a payment" should be at least as high as the percent of disconnections that never made a payment. However, this is not exactly true for July-October based on the responses provided to UTAC, though the discrepancy is small.

1901 reduced rate. This is to say, IQT's Lifeline customers simply do not consider its  
1902 services affordable or desirable.

1903 **Q. Please discuss the impact of the abnormally high churn rates on the**  
1904 **Lifeline/Linkup Programs.**

1905 A. While it has achieved considerable success in gaining Lifeline customers, IQT has  
1906 totally failed to retain them. Its failure to retain customers reflects its failure to  
1907 make its service affordable or competitive.

1908 IQT is aware of the fact that most of its Lifeline customers depart as soon as they  
1909 exhaust the full benefits of the FF25SC introductory discount. Few remain to pay  
1910 for service at the full rate of \$59.99. Thus, IQT must have recognized that its  
1911 high rate of \$59.99 may be the single most important reason behind the unusually  
1912 high churn rates. Yet, IQT has done nothing to improve its predicament.  
1913 Specifically, it has not since October 2008 made any effort or attempt to make its  
1914 Deluxe Package more affordable, more desirable or more competitive. Instead, it  
1915 has been offering the Deluxe Package at the same rate of \$59.99 (before Lifeline  
1916 discount) in combination with the same FF25SC introductory discount since  
1917 October 2008. If anything, IQT has made its service even less desirable or more  
1918 undesirable by reducing the amount of toll usage included in the package by  
1919 half.<sup>111</sup>

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<sup>111</sup> Based on its Lifeline/Linkup Certification Forms, Deluxe 500 were offered between October 2008 and December 2010 but Deluxe 250 has been offered since September 2010.

1920 If IQT sincerely wishes to serve Lifeline customers, one would naturally expect it  
1921 to make as much effort to retain as to gain Lifeline customers. Instead, while it  
1922 has succeeded in getting the customers in the door, so to speak, it has failed to  
1923 provide sufficient incentives for them to stay for more than three months. The  
1924 Company's lack of effort to retain its Lifeline customers begs the question of  
1925 whether it sincerely wishes to serve Lifeline customers or whether it has  
1926 established its Lifeline/Linkup Programs primarily to obtain the federal Linkup  
1927 subsidy.

1928 **Q. Please explain how IQT's Lifeline/Linkup Programs have harmed the**  
1929 **customers and public interests.**

1930 A. The goals of the federal Linkup and Lifeline programs are to get customers  
1931 connected and to make sure they stay connected. The latter is as important as the  
1932 former. IQT has made great effort, and been quite successful, to get customers  
1933 connected. Yet, it hasn't made much effort to improve its customer retention  
1934 rates by making its service more affordable, more desirable or more competitive.  
1935 Clearly, IQT recognizes that its Lifeline customers simply do not want its service  
1936 unless it is free or unless it is offered at a substantially reduced rate. The  
1937 combination of the Company's success with the Linkup Program and failure with  
1938 the Lifeline Program has harmed the customers as well as the Universal Service  
1939 Fund.

1940 First, IQT gained 40,714 Lifeline customers and collected more than \$1.2 million  
1941 in federal Linkup subsidy between October 2008 and December 2010. Most of  
1942 the Lifeline customers departed in less than three months and by yearend 2010,  
1943 only 3,077 remained. The Company's failure to retain the Lifeline customers has  
1944 caused the USF fund to be used to subsidize the cost of commencing phone  
1945 services that remain active for less than three months. This is a wasteful use of  
1946 federal Linkup assistance funds. IQT has drained and wasted more than \$1.2  
1947 million out of the federal USF fund.

1948 Second, IQT's practice has also deprived 37,637 low income customers of an  
1949 affordable, or the only affordable, means to get connected to the PSTN. By  
1950 failing to make customers fully aware of the one-time restriction for a Linkup  
1951 subsidy and by offering \$0.00 net installation charge and an attractive  
1952 introductory discount (FF25SC), the Company has succeeded in getting the  
1953 customers connected. Yet, its failure to offer affordable or competitive services  
1954 beyond the introductory period has compelled its customers to depart in less than  
1955 three months, thus making them ineligible for additional Linkup service.  
1956 Therefore, the Company has deprived these customers of an affordable, or the  
1957 affordable, means to get connected to the PSTN, harming both the federal USF  
1958 fund as well as customers.

1959 **Q. Do you have additional comments?**

1960 A. Yes. Federal Linkup support is intended to assist low income customers with the  
1961 cost of commencing phone services and help the customers get connected to the  
1962 PSTN. The Federal Lifeline subsidy is intended to assist low income customers  
1963 with their monthly recurring charges and help the customer stay connected to the  
1964 PSTN. Federal Linkup and Lifeline subsidies jointly work to make phone  
1965 services affordable to low income customers. They have never been intended to  
1966 serve as a profit center for eligible telecommunications carriers. IQT's  
1967 Lifeline/Linkup Programs have, in my opinion, not served the public interest  
1968 goals of the Lifeline and Link-up programs, but have instead resulted in  
1969 substantial sums of money ending up in the company's hands, with little or no  
1970 public benefit.

1971 First, IQT has achieved much success with gaining non-Lifeline customers at least  
1972 in the past year. In total, it added 27 non-Lifeline customers last year.<sup>112</sup> It also  
1973 has difficulties retaining its existing non-Lifeline customers. The number of its  
1974 non-Lifeline customers declined by more than 43% during 2010 from 2,610 to  
1975 1,486.

1976 Second, few (less than 4%) of Lifeline customers remained with IQT for 3 months  
1977 or more. More than 96% left in less than three months before the bill for the third  
1978 month of service was due. The majority of disconnected Lifeline customers never  
1979 made a payment. Therefore, federal and state low income support has been the

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<sup>112</sup> See IQT Responses to Staff Annual Certification Data Request 1.12.



1980 single most important, if not the only, source of income for serving its Lifeline  
1981 customers.

1982 With its inability to gain/retain non-Lifeline customers and with few Lifeline  
1983 customers remaining beyond the free month or the month with the \$25.00  
1984 discount, federal and state low income assistance has practically become a  
1985 business for IQT. This is not what the federal or state low income assistance  
1986 programs are intended for.

1987 **Q. Please summarize your findings and recommendations.**

1988 A. Staff's analysis and findings can be summarized as follows:

1989 (1) IQT has long violated Section 13-501 of the IPUA in that it has been  
1990 offering services without filing a tariff with the Commission.

1991 (2) IQT has offered services to its Lifeline customers in a discriminatory  
1992 manner. The variation in services offered from forms to forms is not  
1993 justifiable.

1994 (3) IQT's Letter of Agency fails to meet the requirements of Section 13-902  
1995 of the IPUA.

1996 (4) IQT has failed to make reasonable efforts to inform its customers of the  
1997 one-time restriction of federal Linkup support;

- 1998 (5) IQT has not produced or used proper forms to certify customers' Lifeline  
1999 or Linkup eligibility.
- 2000 (6) IQT has never offered the local plan as presented in its ETC Application  
2001 in Docket No. 08-0453 to its Lifeline customers.
- 2002 (7) IQT has collected federal Lifeline/Linkup support as a reseller though it  
2003 has never sought ETC designation as a reseller.
- 2004 (8) IQT has collected federal Linkup subsidy where it is not eligible to (e.g.,  
2005 for conversion).
- 2006 (9) IQT has requested more federal Linkup subsidy than what it is entitled to.
- 2007 (10) IQT has failed to pass through the full amount of Lifeline support.
- 2008 (11) IQT has not managed both Lifeline and Linkup Programs properly. While  
2009 successful to get customers connected, IQT has failed to retain them by  
2010 offering affordable, competitive service beyond the introductory two  
2011 months. The combination of its success with the Linkup Program and  
2012 failure with the Lifeline Program has harmed the customers by depriving  
2013 them of an affordable, or the affordable, means to get connected to the  
2014 PSTN, and has harmed the Universal Service Fund by wastefully spending  
2015 more than 1.2 million of federal Linkup support funds.

2016 For reasons listed above, Staff cannot reach the finding that it is in the public  
2017 interest to IQT's wireless ETC designations. Therefore, Staff cannot recommend  
2018 that the Commission grant IQT wireless ETC designation sought in the  
2019 proceeding.

2020 **Q. Does this conclude your testimony?**

2021 A. Yes.

2022